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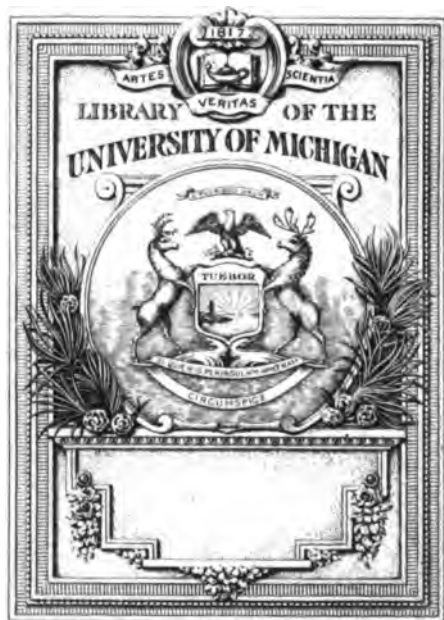
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DOCUMENTS
OF THE
SENATE

OF THE
STATE OF NEW YORK.
ONE HUNDRED AND THIRTY-THIRD SESSION.

1910.

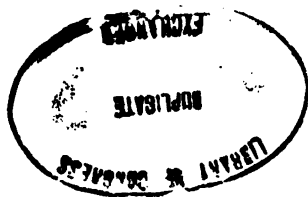
VOL. VIII.—No. 18.—PART 4.



ALBANY
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1910

2012



FIFTY-FIRST

ANNUAL REPORT

OF THE

Superintendent of Insurance

OF THE

STATE OF NEW YORK



PART V

Laws of 1910—Court of Appeals Decisions—Opinions of
Attorney-General—Superintendent's Rulings—Exam-
inations—Special Reports—Fees and Taxes

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STATE OF NEW YORK

No. 18.

IN SENATE

FIFTY-FIRST ANNUAL REPORT

OF THE

SUPERINTENDENT OF INSURANCE

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *December 12, 1910*

Hon. GEORGE H. COBB,

Lieutenant-Governor.

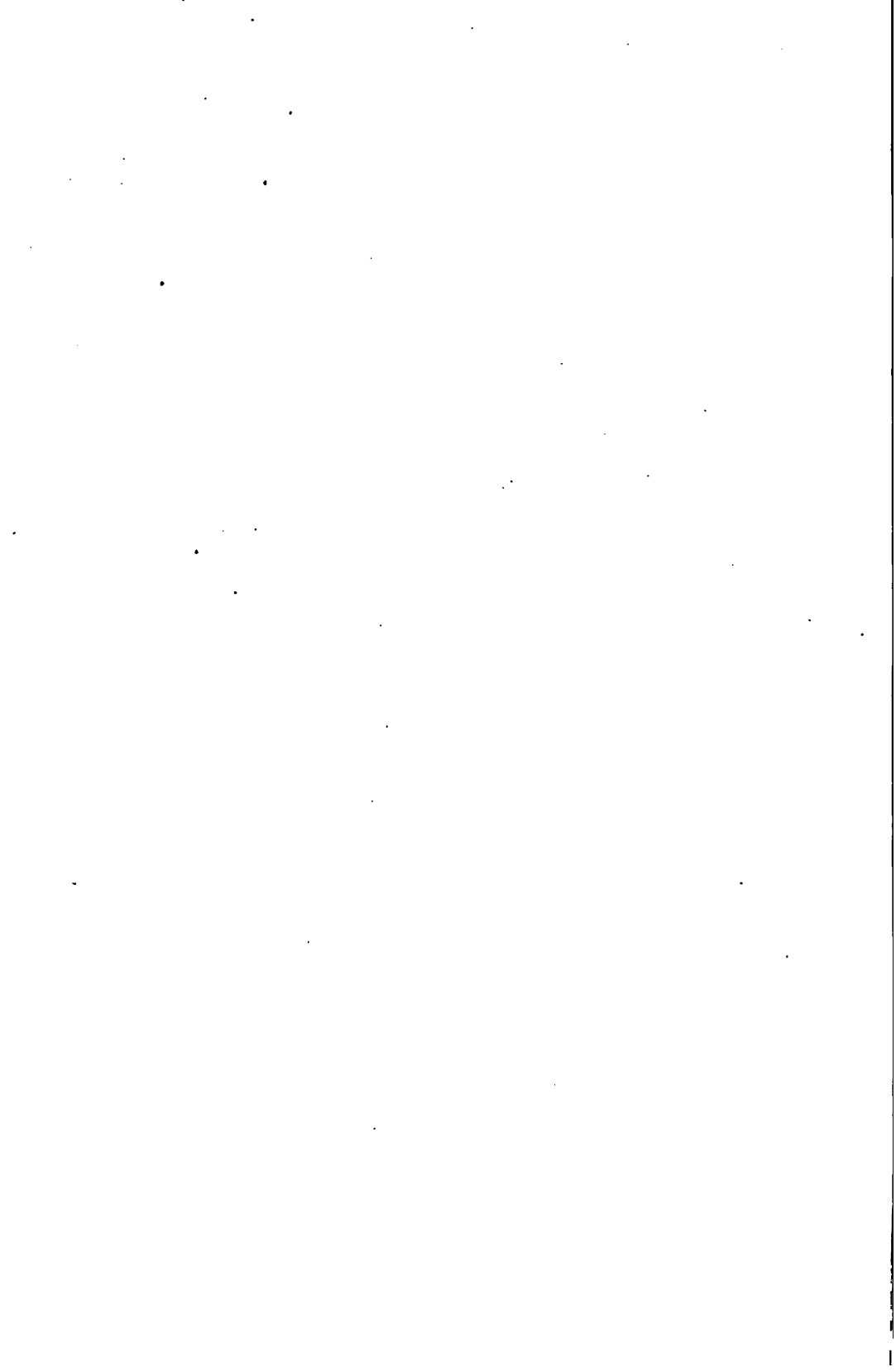
SIR.—The Annual Report of the Superintendent of Insurance, Volume V, containing 1910 amendments to the Insurance Law, decisions of the Court of Appeals, opinions of the Attorney-General, rulings of the Superintendent, reports on examination of insurance companies, report on Town and County Co-operative Fire Insurance Associations, report on Insurance Supervision in Europe, report on Excise Agreement, memorandum regarding authorization of bonds, and schedules of fees and taxes charged by various states, is herewith transmitted to the Legislature.

The same is prefaced by an account of insurance supervision in this State before and after the organization of the department, by the first superintendent, Hon. William Barnes.

Respectfully yours,

WILLIAM H. HOTCHKISS

Superintendent



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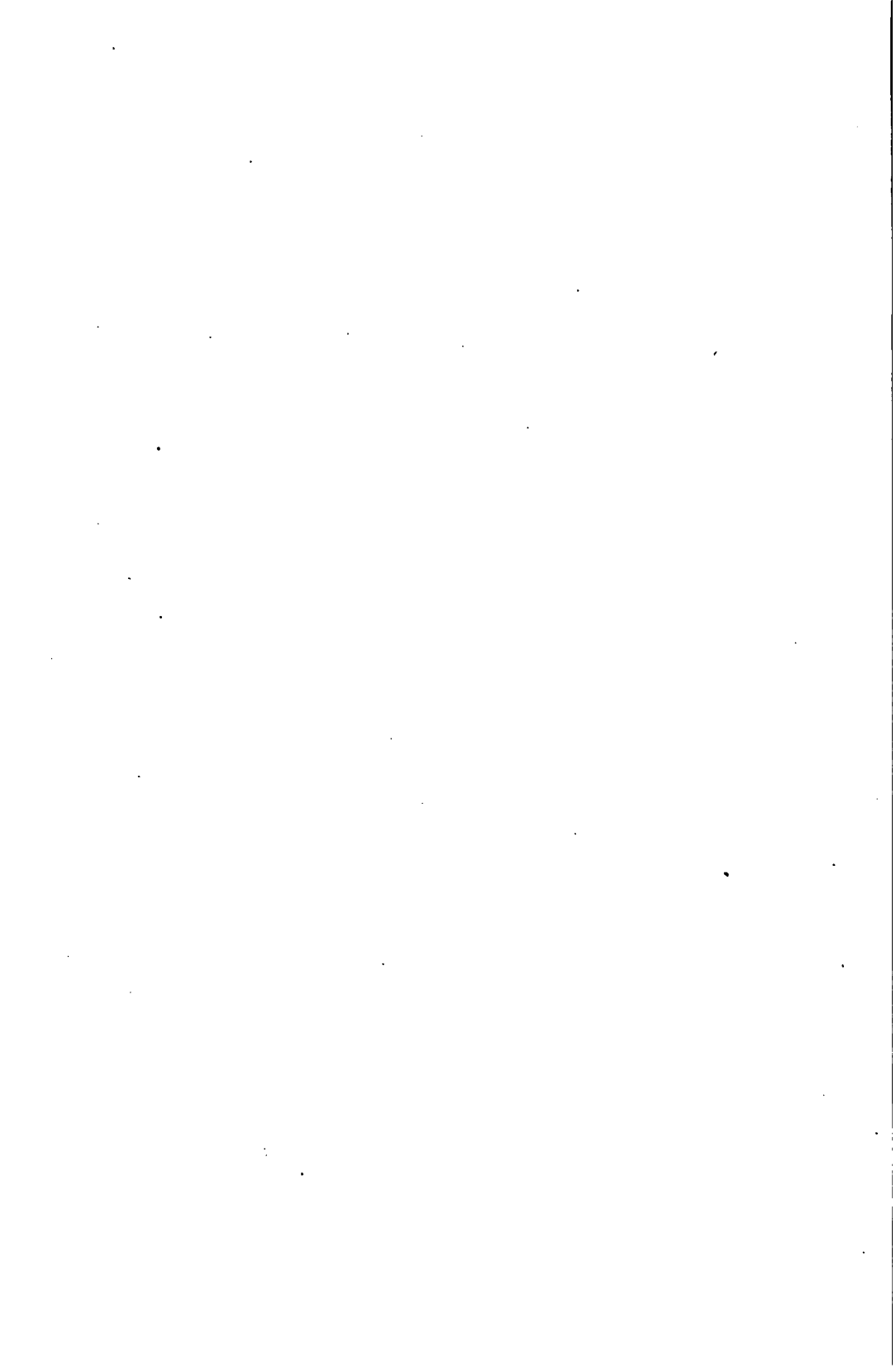
EARLY INSURANCE SUPERVISION IN NEW YORK

Establishment of the Insurance Department

and the

First Ten Years of its Administration by the First Superintendent

THE HON. WILLIAM BARNES



STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY

January 12th of the present year (1910) completed a half-century of the existence of the Insurance Department of the State of New York. In the preparation of the fifty-first annual report to the Legislature it was thought desirable that such reminiscences as might occur to the Hon. William Barnes, who was the organizer and for the first ten years the Superintendent of the Department, would very properly find place in such report, and accordingly an invitation to contribute such history was addressed to him at his residence at Nantucket Island, Mass.

His reply was prompt and full, and the writer is indebted to it for some of the facts and figures contained in the text of Part I of the present report. Owing to the mass of matter which was treated of in that paper, lack of space precluded the publication at that time of Mr. Barnes' letter which it gives me great pleasure to produce here.

William H. Hotchkiss

Superintendent.

EARLY INSURANCE SUPERVISION IN NEW YORK

ESTABLISHMENT OF INSURANCE DEPARTMENT AND THE FIRST TEN YEARS OF ITS ADMINISTRATION

NANTUCKET ISLAND, MASS.

*The Honorable WILLIAM H. HOTCHKISS, Superintendent of
Insurance.*

MY DEAR SIR.—Your letter of the 13th of Dec. 1909 was duly received, in which you kindly ask me to send you some reminiscences and facts connected with the origin and early history of the Insurance Department of the State of New York in view of the early approach of the semi-centennial of its organization, January 12, 1910.

You must excuse personalities and incidentally perhaps some self-laudation — (*magna pars fui*) — in stating these facts with which I am more familiar than any other living individual.

1830 — 1859

The Revised Statutes of 1830 provided that all “monied corporations” (which term was defined to include Insurance Companies) should make annual reports in a prescribed form to the comptroller, and Comptroller Millard Fillmore in 1848 prepared a new blank form for these annual statements.

These blanks required life insurance companies, under the heading of liabilities, to report the face of all their outstanding policies, instead of the net value of such policies. The annual reports of New York State insurance companies, and also the text of the reports of the different comptrollers on insurance until 1859, are contained in the first two volumes of the Barnes condensed reports.

1855

Prior to the year 1855 I had been appointed by the Honorable D. B. St. John, Superintendent of the Banking Department, as a special examiner to examine the Lewis County Bank and the Reciprocity Bank of Buffalo. My reports on these two examina-

tions introduced me to the attention of the Honorable James M. Cook, Comptroller of the State of New York, when he deemed it expedient to examine into the solvency of a fire insurance company at Waterford and several fire companies in the city of New York. I was appointed by him as a special commissioner to make these examinations, such companies having been under the supervision of the comptroller since the year 1830 as "monied corporations," under the revised statutes of that year.

In the summer of 1855, I examined the following companies:

1. The Knickerbocker Insurance Company of Waterford, N. Y.
2. The Webster Fire Insurance Company of New York City.
3. The National Exchange Insurance Company of New York City.
4. Mechanics' Fire Insurance Company of New York City.
5. Henry Clay Fire Insurance Company of New York City.
6. Enterprise Insurance Company of New York City.

During the next year the Hon. Lorenzo Burrows, comptroller, appointed a board of three special commissioners to examine all the fire insurance companies in the city of New York.

1856

An act was introduced in the Legislature of 1856, on the recommendation of Comptroller James M. Cook, establishing an Insurance Department.

This proposed act was opposed by insurance companies and a remonstrance, of which the following is a copy, was presented to the Legislature:

REMONSTRANCE

AGAINST THE PROPOSED LAW NOW BEFORE THE SENATE OF THE STATE OF NEW YORK ENTITLED "AN ACT TO ORGANIZE AN INSURANCE DEPARTMENT, AND TO REGULATE THE BUSINESS OF INSURANCE."

TO THE HONORABLE THE LEGISLATURE OF THE STATE OF NEW YORK:

The undersigned, representing Insurance Companies organized under the laws of the State of New York, hereby on behalf of said Companies respectfully, but earnestly, remonstrate against the passage of the "Act to organize an Insurance Department, and to regulate the business of Insurance," now before the Senate.

Among the objections to the proposed law are the following: It is unequal and unjust in its exactions, and altogether unequal in the degree of security it would afford, if even its contemplated security were not, as it is, entirely fallacious.

It is onerous and oppressive in the highest degree in its provisions, not only to the Companies, but to those to whom the funds of the Companies are loaned in sums of five hundred dollars and upwards, to the amount of several millions of dollars.

It will interfere to a great extent with the wholesome practice of making loans for short periods; will prevent borrowers from gradually liquidating the obligations against them; and will greatly diminish the ability of sound companies to meet their losses in cases of large conflagrations, with the promptness which has always characterized them.

It will prove to be, to the companies, to the borrowers of the funds representing their capitals, and to the holders of their policies, a cumbrous and expensive piece of machinery for which no appearance even of advantage is gained, that cannot be obtained in reality at much less expense, and without embarrassment, oppression and injustice.

That it is entirely unnecessary with reference to sound institutions the experience of many years has abundantly demonstrated; and that it is equally unnecessary with reference to unsound institutions, the results of the action of the late and present comptrollers in accordance with the provisions of existing laws, has well proved.

The enactment of such a law as that now before the Senate, will have the effect of inducing many of the companies chartered by other states and having agencies in the city of New York, to remove such agencies across the Hudson river to Jersey City (and the odium in which a law so oppressive will be held by parties requiring Insurance, will justify the companies in taking such a course, and in transacting their business through traveling agents), whereby they will be enabled to avoid the taxes now imposed, and will have that additional advantage over your Remonstrants, who already pay double the tax levied upon such Companies.

The undersigned confidently believe, that the deposit required by the proposed law will, if it ever take effect, prove to be a most fruitful source of successful villainy and swindling. At present, no fraudulent or insecure company can be originated without the knowledge of others in the business, who are connected with reliable Companies, and whose interests and duty alike prompt them to caution the public with reference to such fraudulent or weak institutions. Under the proposed law the moutns of such persons would be stopped by the very deposit itself, and by the certificate thereof from the officer of the state holding the deposit, which, by the credit it would give such companies in New York, but especially in other states, would enable any set of adventurers who could raise \$75,000, to obtain by slightly depreciating rates, a sum for premiums several times as large as the amount deposited, within the space of a single year, for which period it would be easy to postpone the payment of all losses, except such few as might be published to advantage to give the company additional eclat; and at the end of that time, the parties could well afford to permit the State of New York to pay the amount deposited, and which principally aided the swindle, as a small percentage upon the just liabilities of the Company.

Let the duty of the comptroller, to cause examinations of companies, be made imperative, and the frequency of examination be specified; let the funds be provided to meet the expenses of examination; and let a law be passed mak-

ing it a criminal act, punishable by imprisonment, for individuals or corporations to aid in the formation of insurance companies by advancing money under any pretext, unless to pay actual subscriptions to the capital stock of such companies, and also for punishing officers and directors for any evasion of the law; and all the insurance companies of this state will be and remain, what they have generally been, the most prompt and reliable institutions in the country.

The undersigned aver, that they are especially interested in the securing of sound and reliable insurance companies, and that they are disposed to submit to any law with which compliance is possible, that will most effectually secure that end, with due regard to the safety of the funds of their stockholders intrusted to their care; but being confident that the proposed law would operate disastrously upon all sound insurance companies, and towards property-holders at large, and tend largely to revive that series of domestic bogus companies of which this city is now so happily rid, they ask that the proposed bill may not become a law.

[Signed by fifty-six Fire Insurance Companies.]

The Legislature refused to pass the proposed act of 1856.

1859

The examinations of the six fire insurance companies in New York city and Waterford in 1855, and my special reports, finding them all insolvent and some fraudulently organized, and turning them over to the attorney-general for dissolution, created considerable excitement among fire insurance underwriters in the city of New York. The question of a suitable and efficient remedy was discussed and mooted in the Board of Fire Underwriters for two or three years, when finally it was suggested that the organization of a separate department, similar to the banking department, was the most suitable remedy, thus relieving the comptroller from the charge of insurance companies and placing the whole responsibility upon the new separate insurance department.

My recollection is that the act was drawn by Christopher L. Skeels and the New York committee. An able and distinguished committee was appointed by the Board of Fire Underwriters to go to Albany in the year 1859 and urge its passage upon the Legislature. This committee consisted of George T. Hope, chairman, president of the Continental Fire Insurance Company; Edward A. Stansbury, secretary of the Metropolitan Fire Insurance, and Joseph Hoxie (the celebrated singer of the 1840 Har-

risson campaign), president of the Commonwealth Fire Insurance Company.

This committee appeared in person before the Legislature at the session of 1859, and were ably assisted by Christopher L. Skeels (who, I think, had been an insurance clerk in Comptroller Lorenzo Burrows' office), a son-in-law of George H. Boughton, of Orleans, or some other western county. The legislative committee approved of the bill for establishing the proposed insurance department, but it was strongly opposed by Comptroller, the Hon. Sanford E. Church, upon the ground that the passage of the proposed act might seem to be an imputation upon his integrity and that of his insurance clerk, Royal Chamberlain, in their supervision of insurance companies. A compromise was made, allowing the passage of the act in 1859, but providing that it should not take effect until the year 1860, when Comptroller Church's term of office expired.

The following is a copy of the petition presented to the Senate April 12, 1859, by the committee of the New York Board of Fire Underwriters:

TO THE SENATE:

The undersigned, a Committee appointed by unanimous vote at a large meeting of the Insurance Companies and Agencies in the city of New York, to request the Legislature, in their name, to pass the bill creating an Insurance Department (No. 611) passed on the 11th instant in the Assembly, by 76 to 13, respectfully represent:

1. The said Companies and Agencies have no interest in the said Bill separate from those of the whole community, but that they verily believe the same to be demanded by the best interests of the State.

2. They propose by the bill to tax themselves for the whole expense of maintaining an Insurance Department, so that in no possible contingency can the same become a charge on the State Treasury to the extent of a single dollar.

3. That no opposition thereto has been made in the House or elsewhere, except what proceeded from the Comptroller's office, the Comptroller having now the appointment of the Insurance Clerk and the Commissioners to examine the affairs of Insurance Companies.

4. That the administration of the present authorities in relation to Insurance has not been satisfactory, as *numerous notoriously unsound* companies have received the Comptroller's certificate, and are now deluding the public under cover of it.

5. That the business of examining into the affairs of Companies has been made the pretext for gross and shameless extortion by examining Commis-

sioners appointed by the Comptroller, who in one case charged \$300 for a half hour's examination of a sound company, and threatened if said sum was not paid in a short time, to telegraph to the Comptroller and have the license withheld, whereupon the bill was paid, under protest, and a suit is now pending to recover the excess of charge. In this case only two of the Commissioners acted.

6. It is a humiliation and a disgrace to the large body of responsible underwriters, representing *thirty millions of solid capital*, to see the whole business of superintending insurance affairs in this great state committed to the care of a man like the present *Insurance Clerk, R. Chamberlain*, who was President of a Company in New York City, which advertised \$500,000 capital; and, after meeting a loss of Harper Brothers, of \$10,000, and a few other losses, exploded, and never paid a cent on its liabilities. It is also irreconcilable with their views of propriety and justice, that a majority of the last Board of Commissioners, appointed to examine Insurance Companies, (the very Board which made the extortionate charge above referred to, and others like it), consisted of the above named Royal Chamberlain and another person, who was a Director in the same Insurance Company, of which said Chamberlain was President.

7. The State of Massachusetts has, for four or five years, had in operation a system similar to that contemplated by this bill, which has worked to the universal satisfaction of all parties, in and out of the Insurance business.

The undersigned respectfully submit, whether the Insurance Companies do not make a reasonable request in asking for a change, when they offer to pay every dollar of the cost; and when the insurance interest has grown *so immense* as, in their opinion, to demand the *more careful and exclusive supervision* they now desire to give it.

JOSEPH HOXIE,

President Commonwealth Insurance Co.

GEORGE T. HOPE,

President Continental Insurance Co.

E. A. STANSBURY,

Secretary Metropolitan Fire Insurance Co.

ALBANY, April 12, 1859.

The same committee of the Board of Fire Underwriters visited Albany in 1860 and urged my appointment upon Gov. Edwin D. Morgan. He hesitated to appoint me, because Thurlow Weed had recommended the Hon. Edward Dodd, an able ex-member of Congress from Washington county, or Ashbel P. Fitch, a lawyer (I think of New York city, and subsequently its comptroller), for the new office of superintendent. The New York committee was persistent and strenuous in urging my appointment, and was zealously supported by the Hon. James M. Cook, of Saratoga, superintendent of the Banking Department. Finally Mr. Cook

visited Mr. Weed and in a very emphatic manner told him that "he must keep his hands off" and not oppose the companies' selection of superintendent. Mr. Weed, after considerable delay (of twelve days) under quasi coercion, as above, did "keep his hands off," and I was nominated by Governor Morgan and confirmed by the Senate.

The real facts in relation to my appointment are incidentally stated and vouched for by the New York City Fire Insurance Companies, in the memorial addressed by them to Governor Seymour, urging my re-appointment in January, 1863, a copy of which is hereinafter set forth.

In a few months after entering upon the duties of my office, it became apparent to me that, if I fully performed the obligations that it imposed upon me, I must abandon my legal practice entirely, and I reluctantly retired temporarily, at least, from the profession, and devoted myself exclusively and enthusiastically to the arduous and exacting duties attending the organization and establishment of the Department. On the petition of the insurance companies my salary, as Superintendent, was increased by the Legislature from twenty-five hundred to five thousand dollars per annum.

The New York State Insurance Department soon became authoritative on insurance questions and it was commended and supported by nearly all of the insurance press of the whole country, as well as by other magazines and newspapers. The Massachusetts and New York Departments were for a long time the only departments. It also acquired reputation and standing among leading English actuaries and scientific and insurance journals in Great Britain and on the Continent, and similar governmental departments were recommended and established in some countries.

Horatio Seymour, a democrat, was the successor of Edwin D. Morgan in the gubernatorial chair, and my first term of three years expired on the 12th day of January, 1863, during his administration. The Senate was, at this time, republican in politics. Early in January the companies in New York sent a strong deputation, a majority of them being democrats, to wait upon the governor personally and urge upon him my re-appointment, presenting also a memorial, of which the following is a copy

(except the signatures, which are omitted for want of space). The same names and companies appear subsequently in a second memorial, addressed to Governor Fenton, a copy of which will be hereinafter annexed.

To the Honorable HORATIO SEYMOUR, Governor, and to the SENATE of the State of New York:

The undersigned officers of insurance companies of the cities of New York and Brooklyn; respectfully represent that, for a long time prior to the year 1859, the interests of such insurance companies, and of the entire community, seeking the security afforded by insurance had been very inadequately or improperly cared for. The serious difficulties resulting, combined with the vast importance of the subject of insurance, prompted the application for the establishment of a separate department to supervise the business of insurance; and, in order the more readily to obtain its establishment, as well as to endeavor to remove the office from the sphere of politics, the companies volunteered to pay the needful expenses. The law creating the new department was passed in April, 1859, and the companies then diligently sought for a suitable person to recommend to the appointing power, to occupy the office of superintendent, and to conduct the affairs of the new department.

The result of their careful examinations was the conviction that, in William Barnes, Esq., of Albany, were found combined, in a preeminent degree, the intelligence, experience, energy and honesty requisite in the management of a department requiring such rare and extraordinary abilities as that of controlling the insurance business of the State of New York; and, at their earnest, persistent solicitations, Mr. Barnes received the appointment in January, 1860.

The undersigned state with pleasure that their highest expectations respecting Mr. Barnes' fulfillment of the duties of his office have been realized. They also represent that, in their judgment, it will be extremely difficult to find another so well qualified for the office he fills; that the vast interests involved reaching to every single home in the State, demand that this office should not be liable to fluctuations occasioned by changes in political dominance; that a series of years' experience is absolutely requisite to enable the most gifted properly to administer the duties of the post; that the signers represent, in large numbers, members of both the prominent political parties, and that in the conviction that the interests of all insurance companies, legitimately organized and conducted, are identical with the best interests of their customers, they ask for themselves, their stockholders and the entire community—believing that the highest good of both companies and community will be thereby promoted—that Mr. Barnes be reappointed Superintendent of the Insurance Department.

[Signed by such companies.]

NEW YORK, *January 1, 1863.*

Governor Seymour, having carefully considered the matter, decided to make no new nomination, and I continued to hold the

office during his term and was honored with his entire confidence, and was always freely consulted by him upon all matters pertaining to or connected with insurance affairs and legislation.

In January, 1865, Governor Seymour was succeeded by Governor Fenton, and on the 5th day of April, 1865, I was, by common consent renominated, the names of no other candidates, to my knowledge, having been presented to him. The nomination was again unanimously confirmed without a reference.

The same kindly relations existed between Governor Fenton and myself that had previously existed with Governor Seymour. On his re-election to office nearly all the life, fire and marine companies in the state again united in a memorial addressed to him and to the Senate requesting my re-appointment, of which the following is a copy:

To His Excellency, REUBEN E. FENTON, Governor, and the Honorable the SENATE of New York:

The undersigned officers of insurance companies of the cities of New York and Brooklyn respectfully recommend the re-appointment of the Hon. William Barnes to the position of Superintendent of the Insurance Department of this State, and as exhibiting the views of the officers of the companies at this time as well as at the period when it was signed by the officers of all the companies of this city, they present the following memorial, which was dated New York, January 1, 1869:

[Here follows a copy of the memorial of that date addressed to Governor Seymour, a copy of which is given above.]

The undersigned would further state that, as a consequence of this action, and on account of the evident propriety of the measure, Mr. Barnes has continued to occupy the position of Superintendent of the Insurance Department to this time.

They would also state that the importance of the Insurance Department to the community is constantly and greatly increasing. Companies chartered by the State of New York,

Rec'd for Fire Premiums in 1859	\$6,299,686 18
Rec'd for Marine Premiums in 1859	12,639,201 68
Rec'd for Life Premiums in 1859	1,801,134 82
Rec'd for Fire Premiums in 1866	25,122,152 86
Rec'd for Marine Premiums in 1866	14,192,071 40
Rec'd for Life Premiums in 1866	17,342,923 73

They are satisfied that Mr. Barnes has been controlled in his course as Superintendent by an earnest desire to promote the interests of the community, by rendering the companies more substantial and better fitted to discharge promptly whatever liabilities they might incur. As a result of the

integrity and intelligence with which he has discharged his duty, the insurance interest of the State has been elevated from the position of merited distrust which it occupied immediately preceding the organization of the Insurance Department, so that now it is only necessary to have it known that a company has successfully passed the scrutiny of the New York Insurance Department to give it credit in all parts of the country.

The undersigned would further state, that to enable any officer to meet the skillful operations of those who seek to plunder the community by means of fraudulent insurance companies, and to resist the bribes which such parties have offered, and are always ready to offer, requires strict integrity, unusual skill in detecting attempts at fraud, and the experience given by meeting and baffling such attempts.

These conditions are so completely supplied in the person of Mr. Barnes, that the undersigned could not fail to regard his non-appointment to the position of Superintendent as a public misfortune, and an encouragement to attempts (some of which would probably succeed if the department should be under the control of an inexperienced man), to defraud the public by means of fraudulent companies; and the undersigned, therefore, respectfully request that Mr. Barnes may be re-appointed Superintendent of the Insurance Department for the ensuing term.

NEW YORK, *February 1, 1868.*

This petition to Governor Fenton was signed by all or nearly all of the fire, marine and life insurance companies, one hundred and eight in number.

During my administration several vain attempts were made to induce the Legislature to abolish the office of Superintendent of Insurance, as my administration was considered by some persons as too drastic and rigid and even tyrannic.

As late as the year 1869, a petition was presented to the Legislature of which the following is a copy:

TO THE HONORABLE THE LEGISLATURE OF THE STATE OF NEW YORK:

The undersigned, stockholders in fire insurance companies incorporated by the laws of this State, respectfully petition your Hon. Body, for the passage of a law to reduce the expenses of the Insurance Department, and the salary of its Superintendent.

The expenses of this Department have increased from \$6,630.18 in 1860, \$13,234.24 in 1864, and \$21,780.45 in 1865, to the enormous sum of \$34,550.08 for the year ending Sept. 30, 1867, the latest date as yet reported; while the salary of the Superintendent (exclusive of clerk hire) has been increased to the sum of seven thousand dollars (\$7,000) per annum.

The whole of these expenses are defrayed by the Insurance Companies in the enormous fees imposed upon them for transacting any business with the Department, and in assessments made upon them, if necessary.

It may be said that the people are not taxed to support such extravagance; only the Insurance Companies. But it will be seen on a moment's reflection that all expenses of the Insurance Companies must be assessed by them upon their customers, the public in general; and the higher these expenses are, the higher the rates of premiums must become. Thus the property owners indirectly pay the above heavy and in great degree unnecessary additional taxes.

Your petitioners believe, that a reform is imperatively demanded in this department, and can be carried out without impairing its usefulness or efficiency. They therefore respectfully represent, that in their opinion the present fees required to be paid to this Department should be reduced at least fifty per cent, and the salary of its Superintendent in like proportion.

DATED *January*, 1869.

In the year 1868 I formulated a new life insurance blank for the annual statements of the companies, probably the most thorough ever required of a corporation, requiring more specific and detailed reports as to the (I) Assets and (II) Liabilities, (III) Income, (IV) Expenditures and (V) Miscellaneous, and requiring answers to a set of general interrogatories, of which latter the following is a copy:

4. Upon what table of mortality and rate of interest are the company's premiums based?

5. Is the loading calculated in all cases by the addition of an equal percentage to the net premiums; and what is the average percentage of loading on the participating and also on the non-participating scale of premiums?

6. Has the annual mortality experienced or the expenses of management, exceeded the assumption on which the company's premiums were based?

7. Who made the last valuation of your outstanding policies as detailed above under the heading of liabilities, and upon what principles and in which manner was the same made, whether by valuing the gross or net premiums by grouping the policies, or by seriatim calculations, or how otherwise?

8. How often does the company declare dividends or bonuses of surplus, and when and in which manner are the same paid; and are such dividends made upon the basis of an equal percentage upon premiums or how otherwise, and upon what principles?

9. What proportion of the net present value of a policy (calculated on the company's assumptions of mortality and interest) is given as a surrender value?

10. Within what period, and upon what terms may policies lapsed by the non-payment of premiums be revived, and what is the established practice and rule of the company in reference to this class of policies?

11. What are the limits of travel and residence allowed by the company without extra premiums?

12. What is the largest amount insured by the company on any one life, and is reinsurance allowed in other companies to an unlimited amount?

13. What is the largest percentage of premium allowed to be taken in notes or otherwise on credit?

14. How many "days of grace" if any, are allowed for the payment of premiums?

15. Are policies ever issued under an assumed age differing from the real age of the party insured?

16. Are policies ever issued for the benefit of persons having no legal or actual interest in the lives insured, or in excess of such interest?

17. What amount, if any, of existing policies were issued on diseased, unsound or impaired lives?

18. What is the estimated number of female lives insured by the company?

19. Does the company issue fire, marine, accident or casualty policies of any kind, and if so, what kind?

20. Is the business of the company transacted on the purely mutual, the strictly proprietary or the mixed plan? If on the mixed plan, what proportion of the profits are apportioned to stockholders besides legal interest on their capital?

21. What amount or proportion of the outstanding policies of the company were issued on the non-participating scale?

22. What is the estimated amount of cash premiums, premiums notes and credits received by the company on existing policies?

23. What is the aggregate amount of premiums received (including notes and credits) and also of losses and claims paid since the organization of the company?

24. What amount of stocks and other securities are deposited in various States and countries, under the laws thereof, for the protection of policyholders, and where have such deposits been made?

25. What amount has been credited and debited during the year to profit and loss account?

26. What amount, if any, of the outstanding risks or premiums of the company are entirely free and discharged from all future commissions?

27. What is the largest percentage of commissions ever allowed to agents on first and also on renewal premiums?

28. What is the largest percentage allowed on first premiums when received in full of all claims for future commissions?

29. Are any of the agents of the company allowed to retain premiums for or on account of commissions in advance?

30. Do any of the officers of the company receive a commission or percentage on any of the business of the company, or retiring allowances, annuities of any other remuneration besides a fixed and regular salary?

31. What other companies have been amalgamated with your company including those united with the amalgamated companies prior to their union with your company?

32. How many agents, sub-agents, solicitors, canvassers and other persons (including office clerks) acted at any time during the year for your company (if located in another State) in the State of New York, whether acting immediately under the direction of the company or any of its general or subordinate agents?

Many of the officers strenuously opposed these questions, but I considered that the people were entitled to this information.

Perhaps I might here say, as proof of the moral power of the department, that during my term of office, a company surreptitiously obtained from the public printer a copy of the text of my forthcoming annual report before its issue to the Legislature, and such company found therein a few lines relating to itself; and, as I afterwards learned, one of my deputies was offered ten thousand dollars cash, if he could have the objectionable sentences eliminated from the report. It is unnecessary to say that these facts were not reported to me by my deputy until long after the report was issued and in circulation. It is not necessary that any additional legal powers should be granted to the superintendent. His powers under the present statutes are ample and sufficient.

As superintendent I generally made all examinations of insurance companies in this and other states personally, charging only my actual expenses.

In my insurance reports will be found the tables of mortality which have been used by life insurance companies and also the opinions of leading actuaries on different methods of valuing life and annuity policies.

THE NEW YORK STATE INSURANCE DEPARTMENT VALUATION TABLES

The old rules of the Supreme Court provided that the valuation of annuities and dower rights should be based on the Northampton table of mortality and, I think, six per cent. interest.

The first legal standard prescribed by statute in the state of New York for the valuation of life insurance policies was the English Life Table No. 3, compiled by the able and distinguished Dr. William Farr, registrar-general of Great Britain (one of my associate delegates to the International Statistical Congress at St. Petersburg in 1872). The rate of interest to be assumed was five per cent. With the assistance of John Paterson and the department force and of the professor of mathematics at Yale College, H. A. Newton, and several Yale students, valuation tables were partly computed on these standards.

In the year 1868, the act of 1866 establishing the above table was so amended that the New York standards were changed to the American Experience Table of Mortality and four and a half per cent. interest, the main object in making this change being to have a common standard adopted both by New York and Massachusetts. This very desirable object failed of accomplishment.

The New York State Insurance Department Valuation Tables were computed and published on these new standards.

The tables consisted of a large volume, 14 x 20 inches, of 548 pages, besides the introductory matter, giving the net values of policies for one thousand dollars at the middle of each month with a side table of the values at the beginning and the end of each year, with the daily and monthly differences for whole life and many other policies too numerous to mention. The tables were accompanied with an introduction and an elaborate plan or system of notation for life contingencies and calculations.

Paper copies of the tables were sold by the Department for two hundred dollars and parchment paper copies for two hundred and fifty dollars per copy to other insurance departments, to life insurance companies and leading actuaries here, and some in England.

My successor had the rate of interest and the mortality table changed, which rendered the Barnes' Valuation Tables, which cost such enormous labor and great expense, practically useless.

INSURANCE LEGISLATION

In reference to insurance legislation I may say that during my term of office there were no, what has been inaptly termed, "Yellow (or Yaller) Dog Funds." Only one insurance act was passed during my whole ten years' term of office without my approval and recommendation. This was the act allowing accident companies to write life insurance policies. The insurance committees of both houses (Judge Charles J. Folger was for many years chairman of the Senate Insurance Committee), consulted me on every insurance bill and even after a bill had passed both houses, the governor always sent for me in consultation before signing any insurance bill. No governor was more scrupulous in this respect than the able democratic governor, Horatio Seymour.

An insurance superintendent, having the confidence of the insurance world and of the Legislature and the public, should naturally and ordinarily control all insurance legislation. Then there would be no necessity for expending large or any sums, in watching insurance legislation in the forty-five states in the Union or in foreign countries.

Mr. Superintendent of Insurance, WILLIAM H. HOTCHKISS:

You are commencing the second fifty years of the existence of the New York State Insurance Department. Although I have never met you personally, you have my best wishes for your success and prosperity in the performance of your official duties.

Cordially yours,

WILLIAM BARNES.

*O'Conor-Barnes Homestead,
On-the-Cliff, Nantucket Island, Mass.,
December 25th, 1909.*

INSURANCE LAWS

OF

1910

NOTE

A consolidation of statutes relating to insurance corporations became law February 17, 1909, as chapter twenty-eight of the Consolidated Laws, being chapter thirty-three of the Laws of 1909. A number of amendments were passed during the 1909 session of the Legislature and were printed in Part V last year. Following are amendments passed during the session of 1910 and approved by the Governor.

INSURANCE LAWS OF 1910

Chapter 168

AN ACT to amend the insurance law, in relation to fire and marine insurance corporations.

Became a law April 25, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section twenty-two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 22. **Reinsurance.** Every insurance corporation doing business in this state may reinsure the whole or any part of any policy obligation in any other insurance corporation; provided that if any domestic insurance corporation, other than a life insurance corporation, shall reinsure or determine to reinsure substantially all its risks, such reinsurance shall be submitted in advance to, and have the approval of, the superintendent of insurance, and provided, further, that no domestic life insurance company shall reinsure its whole risk on any individual life except by permission of the superintendent of insurance, but may reinsure any portion of an individual risk and receive credit for the reserve on any policy covering a risk reinsured if the reinsuring corporation is authorized to transact business in this state, and may also receive credit for taxes on the premiums paid on any such policy. When a reinsurance agreement is made between other than life insurance corporations, the parties to such agreement shall, upon the policies involved, compute their unearned premium

* as follows: The reinsuring or ceding corporation shall, upon the portion of its liability not reinsured, maintain a reserve to be computed in accordance with section one hundred and eighteen of the insurance law; the corporation assuming liability by reinsurance from the corporation issuing the original policy shall maintain a reserve equal to that which the reinsuring corporation would have been required to maintain upon the amount reinsured had it retained the liability ceded by it. No credit of any kind shall be allowed or given, either as a reduction of taxes or of liabilities, to any corporation transacting business in this state, for reinsurance made in corporations not authorized to issue policies in this state. The superintendent of insurance shall require schedules of reinsurance to be filed by each corporation at the time of making its annual report to the department.

§ 2. Section twenty-five of said chapter is hereby amended to read as follows:

§ 25. **Jurisdiction of superintendent over foreign corporations.** The superintendent of insurance shall have the same supervision and make the same examination of the business and affairs of every foreign insurance corporation doing business in this state, as of domestic insurance corporations doing the same kind of business, and of its assets, books, accounts and general condition. Every such foreign corporation and its agents and officers shall always be subject to and be required to make the same statements and answer the same inquiries and be subject to the same examinations, and, in case of default therein, to the same penalties and liabilities as domestic insurance corporations doing the same kind of business, or any of the agents or officers thereof, are or may be liable to under the laws of this state or the regulations of the insurance department. The superintendent may, whenever he deems it necessary, either in person or by a proper person appointed by him, repair to the general office of such foreign corporation, wherever the same may be, and make an investigation and examination of its affairs and conditions. He may cancel and revoke the certificate of any such foreign corporation refusing or unreasonably neglecting to comply with the provisions of this section, or to allow the examination herein provided for to be made,

* So in original.

and prevent such corporation from further continuance in business in this state. A foreign insurance corporation may transact in this state only such kinds of business as, under the laws of this state, a like domestic insurance corporation is authorized to transact.

No such corporation shall transact any business in this state not specified in the certificate of authority granted by the superintendent.

§ 3. Section fifty-six of said chapter is hereby amended to read as follows:

§ 56. **Foreign insurance companies.** Companies from other states and countries hereafter applying for admission to this state shall be possessed of at least the amount of capital required for companies organized under the laws of this state, which amount of capital of such companies must be fully paid in cash. It shall be the duty of the superintendent of the insurance department to refuse admission to any such company unless its assets are of the same general character that companies of this state are permitted to hold, nor shall any such company be admitted to transact business in this state unless it shall file in the office of the superintendent of the insurance department an agreement under its corporate seal that it will not transact in this state any business which any fire insurance companies of this state, organized under the general act, are prohibited from transacting; and any company violating the provisions of said agreement shall have its certificate of authority revoked by the said superintendent forthwith, provided the assent of the attorney-general shall be previously obtained.

§ 4. Section one hundred and ten of said chapter is hereby amended to read as follows:

§ 110. **Incorporation.** Thirteen or more persons may become a corporation for the purpose of making insurances on dwelling-houses, stores and all kinds of buildings and household furniture, and other property against loss or damage by fire, lightning, wind storms, tornadoes, or earthquakes, and also against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps or other apparatus erected for extinguishing fires, and of water pipes, and against

accidental injury to such sprinklers, pumps or other apparatus, and upon vessels, boats, cargoes, goods, merchandise, freights and other property against loss or damage by all or any of the risks of lake, river, canal and inland navigation and transportation, as well as by any or all of the risks specified in section one hundred and fifty of this chapter, including insurances upon automobiles, whether stationary or being operated under their own power, and to effect reinsurance of any risks taken by it, by filing in the office of the superintendent of insurance a declaration signed by all of them of their intention to form a corporation for the purpose of transacting the business of making any or all of such insurances, which shall comprise a copy of the charter proposed to be adopted by them, setting forth the name of the corporation, the place of location of its office, the mode in which its corporate powers are to be exercised and its directors elected, a majority of whom shall be citizens of this state, and if a stock corporation, the owner in his own right of at least five hundred dollars of the stock of the corporation at its par value, the mode of filling vacancies in the office of director, the period for the commencement and termination of its fiscal year and the amount of capital to be employed in the transaction of its business; provided that a corporation including in its charter a provision to assume any of the risks of ocean marine insurance as specified in section one hundred and fifty of this chapter must have a capital, paid in in cash, of at least four hundred thousand dollars. No such declaration shall be filed, unless the persons signing the same shall have previously published for at least two weeks successively a notice of their intention to form such a corporation in a public newspaper in the county where its office is to be located. Every such corporation shall be known as a fire insurance corporation. No such corporation shall directly or indirectly deal or trade in buying or selling any goods, wares, merchandise or other commodities whatever, except such articles as may be insured by it and are claimed to be damaged by any cause so insured against.

§ 5. Section one hundred and twenty-one of said chapter as amended by chapter two hundred and forty of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 121. **Standard fire insurance policy to be prescribed and used.** The printed blank form of a contract or policy of fire insurance, with such provisions, agreements or conditions as may be indorsed thereon or added thereto and form a part of such contract or policy, heretofore filed in the office of the secretary of state by the superintendent of insurance or by the New York board of fire underwriters pursuant to the provisions of chapter four hundred and eighty-eight of the laws of eighteen hundred and eighty-six shall be transferred by the secretary of state to the office of the superintendent of insurance and, together with such provisions, agreements or conditions as may previous to the thirty-first day of December, nineteen hundred and one, be filed by the New York board of fire underwriters in the office of the superintendent of insurance and approved by him, which provisions, agreements or conditions shall be void if they are inconsistent with the standard fire insurance policy heretofore filed in the office of the secretary of state, shall be known and designated as the standard fire insurance policy of the state of New York. No fire insurance corporation, its officers or agents, shall make, issue, or deliver for use, any fire insurance policy or the renewal of any such policy on property in this state, other than such as shall conform in all particulars as to blanks, size of type, context, provisions, agreements and conditions with such printed blank form of contract or policy; and no other or different provision, agreement, condition or clause shall be in any manner made a part of such contract or policy or indorsed thereon or delivered therewith, except as follows, to-wit:

First. The name of the corporation, its location and place of business, date of its incorporation or organization, whether it is a stock or mutual corporation, the names of its officers, the number and date of the policy, and if issued through a manager or agent the words "this policy shall not be valid until countersigned by the duly authorized manager or agent of the corporation at"

Second. Printed or written forms of description and specification, or schedules of the property covered by any particular policy, and any other matter necessary to clearly express all the facts and

conditions of insurance on any particular risk not inconsistent with or a waiver of any of the conditions or provisions of the standard policy herein provided for.

Third. With the approval of the superintendent of insurance, if the same is not already included in such standard form, any provision which any such corporation is required by law to insert in its policies, not in conflict with the provisions of such standard form. Such provisions shall be printed apart from the other provisions, agreements or conditions of the policy under a separate title as follows: "Provisions required by law to be stated in this policy." After the first day of January, nineteen hundred and eleven, such policy or contract may be printed, written or typewritten with any size of type or on any size or shape of paper which shall have the written approval of the superintendent of insurance. The name, with the word "agent" or "agents," and place of business, of any insurance agent or agents, either by writing, printing, stamping or otherwise, may be indorsed on the outside of such policies. It shall not be lawful for any association of individual underwriters known as Lloyds to stamp, print or write, or otherwise cause or permit to be stamped, written or printed upon any fire insurance policy issued by it any words which may in any way tend to convey the impression that such policy is in form or substance the standard form of policy prescribed by this chapter for the use of corporations authorized by law to transact the business of fire insurance within this state.

§ 6. Section one hundred and fifty of said chapter as amended by chapter two hundred and forty of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 150. **Incorporation.** Thirteen or more persons may become a corporation for the purpose of making insurance upon vessels, freights, goods, wares, merchandise, specie, bullion, jewels, profits, commissions, bank-notes, bills of exchange, and other evidences of debt, bottomry and respondentia interests, and every insurance appertaining to or connected with marine risks and risks of transportation and navigation, including the risks of lake, river, canal and inland transportation and navigation, insurance upon automobiles, whether stationary or being operated under their

own power, and of reinsuring any risks taken by it, by making, acknowledging and filing in the office of the superintendent of insurance a declaration signed by all of them, stating their intention to form a corporation for one or more or all of such purposes, with a copy of the charter proposed to be adopted by it, which charter shall set forth the name of the corporation, the place where its principal office shall be located, the mode in which its corporate powers are to be exercised, and of electing directors, each of whom, if a stock corporation, shall be the owner in his own right of five hundred dollars par value of its stock and a majority of whom shall be citizens of this state, the mode of filling vacancies in the office of director, the period for the commencement and termination of its fiscal year, the amount of its capital or capital stock and the number of shares into which it shall be divided, if a stock corporation. Thereupon such persons and all others who shall become stockholders or members thereof, shall be a corporation by the name expressed in the charter.

No such corporation shall commence the transaction of the business of insurance until after publication of a notice of its intention to do so, once a week for at least six weeks, in a public newspaper in the county in which it is proposed to be located, nor if a stock corporation, until its capital stock shall all have been paid in in cash. Every such corporation shall continue in existence for thirty years, or for such less time as may be specified in its charter. No such corporation shall directly or indirectly deal or trade in buying or selling goods, wares or merchandise, or other commodities, except such as may have been insured by it, and such as may be sold under judicial process or otherwise in which or in the profits of the sale of which it may be interested by reason of having previously become insurers of the same or of some share or portion thereof.

§ 7. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 8. This act shall take effect on the first day of July, nineteen hundred and ten.

Chapter 318

AN ACT to amend the insurance law so as to prohibit the further formation of corporations for the purpose of insuring the lives of domestic animals on the co-operative or assessment plan of insurance.

Became a law May 18, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section two hundred and fifty of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 250. **Incorporation.** Nine or more persons may become a corporation for the purpose of insuring the lives of domestic animals, upon the co-operative or assessment plan of insurance, by making, acknowledging and filing in the office of the superintendent of insurance, a declaration stating their intention to form such corporation; the name by which it shall be known; the place where its office shall be located within this state; its particular business and objects; its duration, not to exceed thirty years; the number of its directors, not less than five nor more than thirteen, who shall manage its affairs, and the names and post-office addresses of the directors for the first year of its existence, with a sworn statement by two or more of such persons, that at least fifty persons eligible to membership have applied in good faith, in writing, for membership and insurance in such corporation, to the amount of at least ten thousand dollars, and have severally in good faith paid in in cash the regular premiums therefor, and admission or membership fees in accordance with the by-laws of such corporation. If the requirements of this chapter have been complied with, the superintendent shall file such declaration, statement and certificate, and cause the same

to be recorded in a book to be kept for that purpose, and shall deliver to such corporation a certified copy of the papers so filed and recorded, with his license to the corporation to engage in the business proposed in such declaration. Upon such certified copy and license being filed in the office of the clerk of the county where the corporation is to be located, such persons and those that may thereafter be associated with them, or their successors, shall be a corporation and authorized to commence and carry on such business. Provided, however, that no such corporation shall be formed, and no such license shall be issued by the superintendent of insurance after July first, nineteen hundred and ten.

§ 2. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 3. This act shall take effect immediately, provided that at any time after the passage and approval of this act, and upon July first, nineteen hundred and ten, the superintendent of insurance may refuse to issue any license under section two hundred and fifty of said chapter, if in his judgment such refusal will promote the interests of the people of the state.

Chapter 328

AN ACT to amend the insurance law, in relation to co-operative fire insurance corporations.

Became a law May 18, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by inserting therein a new article to be article nine thereof, to read as follows:

ARTICLE 9.

CO-OPERATIVE FIRE INSURANCE CORPORATIONS.

- Section 260. Existing corporations continued.
261. Voluntary associations continued and incorporated.
262. Co-operative fire insurance corporations, general provisions.
263. Incorporation and certificate of authority.
264. By-laws.
265. Policies.
266. General provisions affecting assessment corporations only.
267. General provisions affecting advance premium corporations only.
268. Application of other sections of this chapter.
269. Extension of corporate existence.

§ 260. **Existing corporations continued.** All corporations formed pursuant to chapter seven hundred and thirty-nine of the laws of eighteen hundred and fifty-seven, chapter five hundred and seventy-three of the laws of eighteen hundred and eighty-six or the laws of which the last mentioned chapter was a consolidation, and article nine of chapter six hundred and ninety of the laws of eighteen hundred and ninety-two, and the acts amendatory of any thereof, are hereby continued in existence and made subject to the provisions of this article. Each such corporation shall file with the superintendent of insurance, not later than September first, nineteen hundred and ten, copies of its certificate of incorporation and by-laws in force at the time of such filing, duly verified by its president and secretary by affidavits to the effect that the same are true copies. On the filing of such copies, so verified, the superintendent of insurance, if in his judgment such corporation will safely conduct the business of insurance in this state, shall issue to such corporation a certificate authorizing it to continue in the business of insurance in this state of the kind specified in such by-laws and within the territory in which it does business at the time of such filing, provided that such business and territory are not in conflict or inconsistent with the terms of this article; provided, further,

that any such corporation is hereby authorized to continue the business previously conducted by it from July first, nineteen hundred and ten to December thirty-first nineteen hundred and ten, but no such corporation shall continue such business without such certificate after December thirty-first, nineteen hundred and ten; and provided further, that the policies of any such corporation issued heretofore or at any time prior to the issue of said certificate shall be as valid and the rights and powers of the officers and members of such corporation shall be the same in all respects as if such corporation had been originally organized under this article.

§ 261. **Voluntary associations continued and incorporated.** All voluntary associations which at the time this act takes effect are doing in this state an insurance business of the kind and on a plan similar to those of the corporations specified in section two hundred and sixty of this chapter, which desire to become corporations authorized to do the business of insurance in this state of such kind and on such plan and to become subject to the provisions of this article, shall, not later than September first, nineteen hundred and ten, file with the superintendent of insurance, on blanks to be furnished by him for that purpose, (a) an application for the certificate hereinafter mentioned, such application to be executed by the then officers and directors of such association, and (b) copies of the original articles of association and of the by-laws in force on the date of such application, duly verified by its president and secretary by affidavits to the effect that the same are true copies; and, thereupon, such voluntary association shall become a corporation, having the same officers and directors and subject to such articles of association and by-laws so far as the same are not in conflict or inconsistent with the terms of this article, on the superintendent of insurance, if in his judgment it will safely conduct the business of insurance in this state, issuing a certificate authorizing it to continue in the business of insurance in this state of the kind specified in such by-laws and within the territory in which it does business at the time of such application, provided that such business and territory are not in conflict or inconsistent with the terms of this article, to the same effect as if such voluntary association had

been formed as a corporation under section two hundred and sixty-three of this chapter; provided that any such association is authorized to continue the business previously conducted by it from July first, nineteen hundred and ten, to the date of the issue of such certificate; and provided, further, that the policies of any such association issued heretofore or at any time prior to the issue of such certificate shall be as valid and the rights and powers of the officers and members of such association shall be the same in all respects as if it had been originally organized as a corporation under this article.

§ 262. **Co-operative fire insurance corporations; general provisions.** All corporations to which certificates of authority shall be issued, pursuant to sections two hundred and sixty and two hundred and sixty-one of this chapter, or which shall hereafter be given certificates on their due incorporation, pursuant to the provisions of this article, shall be known as co-operative fire insurance corporations. Co-operative fire insurance corporations may make insurances (1) on property against loss or damage by fire, lightning, wind storms, tornadoes or earthquakes, or (2) against loss or damage by larceny or loss or expense in recovering the property stolen or in apprehending the thief. Such corporations shall do business on an advance premium plan or on an assessment plan, but no such corporation shall do business on both such plans. Such corporations as charge or collect in advance the estimated cost of insurance for the full term of the policy shall be deemed to be advance premium corporations. All other co-operative fire insurance corporations shall be deemed to be assessment corporations. Advance premium corporations shall do business in not more than five adjoining counties until the amount of insurance in force exceeds one million dollars, whereupon any such corporation may do business in any number of counties, on filing with the superintendent of insurance a verified statement, showing such amount of insurance in force and the counties in which such corporation intends to do business; but such a corporation shall not be authorized or permitted to begin or to do business until or unless it shall have bona fide applications for insurance or insurance in force in the county in which its principal office is located amounting to two hundred thousand dollars.

Assessment corporations shall be either (a) town corporations, which shall do business in the town where the principal office is situated and, after the amount of insurance in force exceeds fifty thousand dollars, in any or all of the towns of a single county, and (b) county corporations, which shall do business in the county in which the principal office is situated and, after the amount of insurance in force exceeds two hundred thousand dollars, in not more than five adjoining counties; but an assessment corporation shall not be authorized or permitted to begin or to do business until or unless it shall have bona fide applications for insurance or insurance in force amounting, if a town corporation, to fifty thousand dollars in the town in which its principal office is located, or, if a county corporation, to two hundred thousand dollars in the county in which its principal office is located. Co-operative fire insurance corporations shall not be formed by persons residing within and shall not do business in any city having more than six hundred thousand inhabitants.

§ 263. **Incorporation and certificate of authority.** Thirty or more persons residing in one town or in adjoining towns in any county, if a town corporation, or in one county or adjoining counties, not exceeding five, if a county corporation or an advance premium corporation, who shall each own in good faith real estate not less than five hundred dollars in value, and collectively own in good faith insurable real estate in such towns or counties, respectively, to the value of fifty thousand dollars or over, may become a corporation, on filing with the superintendent of insurance a declaration, executed and acknowledged by each of them, stating their intention to form a co-operative fire insurance corporation for the purpose of engaging in the business of insurance, pursuant to the provisions of this article, which declaration shall state (a) whether such corporation will do business as a town, a county or an advance premium corporation, (b) the town or towns or county or counties in which it intends to do business and the town or county in which its principal office is to be located, (c) its corporate name, which shall include the word "co-operative," (d) a copy of the by-laws adopted by such persons for the regulation of the business of such corporation, (e) the names and post-office addresses of the officers and directors of

such corporation for the first year, and (f) such other information as the superintendent of insurance, by general rules or on such blanks as may be furnished by him, shall require; which declaration shall show that such persons own in good faith real estate in the amount hereinbefore specified. At the time of such filing or at any time within one year thereafter, such persons, or those who have been designated as the president and the secretary of such corporation, may file with the superintendent of insurance a statement, verified by them, to the effect that applications for insurance in the amounts respectively indicated in the last preceding section as necessary before any such corporation can be authorized to begin business have been in good faith made to such corporation, such statement to give the names and addresses of such applicants and the amount of insurance applied for by each; provided, however, that, in case such corporation has declared its intention to do business on the advance premium plan, such statement shall show that the premium, specifying the amount, has been paid in full by such applicant. If all the requirements of law have been complied with and the superintendent is satisfied, after investigation, that such statement is true, he shall thereupon file such declaration and cause it to be recorded in his office, with the certificate of the attorney-general, in a book to be kept for that purpose, and issue to such corporation a certified copy of the papers so recorded, together with a certificate authorizing such corporation to carry on the business of insurance as indicated in such declaration.

§ 264. **By-laws.** The by-laws of all corporations to which a certificate of authority shall be issued, pursuant to the provisions of this article, shall include or shall be amended so as to include, substantially, the following provisions:

1. **Directors and annual meeting.** That the corporate powers of such corporation shall be exercised by a board of directors, who, if of a town corporation, shall not be less than five, and if a county or advance premium corporation, shall not be less than eleven; that such directors may be divided into classes and a portion only elected each year; that they shall be elected for a term of not more than four years; that they shall choose from their number a president, secretary and such other officers as

may be deemed necessary; and that, after the first year, the directors shall be chosen at an annual meeting, to be held on the second Tuesday in January in each year, unless some other day is designated in such by-laws, at which meeting each person insured shall have one vote.

2. Records. That each such corporation shall keep proper books (including a policy register) in which the secretary shall enter a complete record of all the transactions of such corporation and of its board of directors and executive committee, which books shall at all times show fully and truly the condition, affairs and business of such corporation, and shall be open for inspection by every person insured each day from nine o'clock in the forenoon to four o'clock in the afternoon, Sundays and legal holidays excepted.

3. Assessments. That such corporation shall have the power to assess for the purpose specified in sections two hundred and sixty-six and two hundred and sixty-seven of this chapter. That, in case an assessment is made, the secretary shall, within forty-five days thereafter, notify, by written or printed notice, every person insured that such assessment has been made, specifying the amount due from such person and the time when and to whom such amount must be paid; provided that such time shall not be less than thirty nor more than sixty days from the service of such notice, which may be either personal or by mail, and, if by mail, shall be deemed complete if such notice is deposited in the post-office at the place where the principal office of the corporation is located, directed to the person insured at his last known place of residence or business. That any person insured who neglects or refuses to pay his assessment may, for such reason or for any other reason satisfactory to the board of directors or its executive committee, be excluded from such corporation and, when thus excluded, the secretary shall cancel or withdraw his policy or policies, provided that such person shall remain liable for the payment of his pro rata share of losses and expenses incurred on or before the date of his exclusion and for the penalty herein provided, in case an action shall be brought against him. If any member of such corporation shall be excluded and the policy issued to him cancelled, the secretary shall forthwith enter such

cancellation and the date thereof on the records kept in the office of the corporation, and serve notice of such cancellation on the person so excluded, as provided herein for the service of notice of assessments, provided that, in that event, the person who is thus excluded or whose policy is thus cancelled shall be entitled to the repayment of an equitable portion of the unearned paid premium on such policy. That the officers of such a corporation shall proceed to collect all assessments within thirty days after the expiration of the notice to pay the same, and that neglect or refusal on their part so to proceed or to perform any of the duties imposed on them by this article shall render them liable, individually, for the amount lost to any person due to such neglect or refusal, and, to that end, an action may be maintained by such person against such officers to collect such amount. That an action may be brought by the corporation against any person insured therein to recover all assessments which he may neglect or refuse to pay, and, if such action is brought, there may be recovered from him both the amount so assessed, with lawful interest thereon, and, as a penalty for such neglect or refusal, fifty per centum of such assessment in addition thereto.

4. Withdrawal of members; new members. That any person insured by such corporation may withdraw therefrom at any time by giving ten days' notice in writing to the secretary and paying his share of all claims existing against such corporation and upon such withdrawal member surrendering his policy or policies.

5. That persons may be insured who reside or own property within the territory in which the corporation is authorized to do business, upon the same terms and conditions as original members and such other terms as may be prescribed in the by-laws of the corporation.

6. That nonresidents, who own property within the territory in which such corporation may do business, may be insured therein and shall have all the rights and privileges of the corporation and be accountable as are other persons insured therein, but shall not be eligible to hold office in the corporation. The by-laws of any such corporation may be amended at any time, subject to the written approval of the superintendent of insurance.

§ 265. **Policies.** The policies of insurance issued by any such corporation shall, if against loss or damage by fire or lightning, conform to the standard fire policy prescribed in section one hundred and twenty-one of this chapter, with such modifications therein as shall be approved in writing by the superintendent of insurance. Every policy issued by such a corporation shall indicate clearly, in words prominently displayed at the top of the first page or across the face thereof, that such policy is issued on the co-operative plan, and shall include a provision in the body of the policy to the effect that the acceptance of it by the person insured shall bind such person to pay all assessments which may be levied thereon. Each such policy shall have printed on the back thereof a copy of the by-laws of such corporation in force at the time such policy is issued.

§ 266. **General provisions affecting assessment corporations only.** The following provisions shall affect corporations doing business on the assessment plan, pursuant to the provisions of this article.

1. Such corporations may issue policies of insurance against any loss or damage to detached dwelling houses, barns, hop houses, cheese factories, creameries, school buildings and other buildings, and the contents of any such buildings, together with the live stock owned on the premises by the insured; provided that nothing herein contained shall authorize such corporations to issue policies on buildings used for hotel, mercantile or manufacturing purposes; and provided, further, that no such policy shall be issued for more than seven thousand dollars on any one risk, or, if such policy is against loss or damage by reason of larceny, to the extent of not more than five hundred dollars on any one risk.

2. Every such corporation may classify the buildings or property insured therein at the time of the insurance and issue policies under different rates.

3. Every such corporation may borrow, on the credit of the corporation, sufficient to pay any loss, or make an assessment upon all the property insured, pro rata, according to the classification or according to the amount insured, as may be provided in the by-laws, sufficient to pay such loss. If it is deemed to be for the best interest of the corporation, such corporation may esti-

mate the amount necessary to pay all losses and expenses for the current year and to supply any deficiency in the preceding year, and assess and collect the same from the members of the corporation. Each assessment shall be made pro rata upon all the property at the time insured, according to its classification or according to the amount insured.

§ 267. **General provisions affecting advance premium corporations only.** The following provisions shall affect corporations doing business on the advance premium plan, pursuant to the provisions of this article.

1. Such a corporation may issue policies of insurance on dwelling houses, stores, school buildings, churches, municipal buildings and all other kinds of buildings and on household furniture and the other contents of such buildings and on live stock, provided that no such policy shall be issued for more than five thousand dollars on any one risk, or in excess of fifteen thousand dollars in any one block or square in the business portion of any city or village; provided that, in any city or village without water protection, such a corporation shall not issue a policy for more than two thousand dollars on any one risk, or in excess of seven thousand dollars in any one block or square; and provided, further, that the total amount of insurance written by any such corporation in the business section of any city or village shall not exceed one per centum of the total amount of insurance in force in such corporation.

2. The expense of management of any such corporation shall not exceed in any one calendar year thirty-five per centum of its premium income in such year; provided that, on the written approval of the superintendent of insurance, any such corporation may expend in such year not to exceed forty per centum of such income.

3. Every such association shall carry as a liability a sum equal to eighty per centum of the total unearned premiums on the policies in force, charged to the policy holder on each respective risk from the date of the issue of the policy; provided, that, on the written approval of the superintendent of insurance, any corporation to which a certificate of authority has been issued under section two hundred and sixty of this chapter may be exempted

from this provision until December thirty-first, nineteen hundred and twelve.

4. Such corporation shall not make any additions to its surplus after the same equals one per centum of the amount of insurance in force. Any excess shall be distributed among the members whose policies shall expire during the ensuing year, proportioned according to the classification of the risks and the premiums paid thereon; such excess being paid in cash or applied as a rebate on the premium required to renew the insurance on the same risk.

5. In case any deficiency is found to exist in any such corporation, the same shall be made good within sixty days thereafter, in case the superintendent of insurance so directs, and, in case such deficiency is not so made good, the directors shall proceed to assess the members of the corporation a sufficient sum to make good such deficiency; the method of computing the same to be first approved by the superintendent of insurance.

6. No such corporation shall reinsure any risk assumed by it, except for the purpose of liquidation, nor collect any policy or survey fee, nor pay any commission to an officer or other person whose duty it is to determine the character of the risk.

§ 268. **Application of other sections of this chapter.** Sections six, seven, nine, ten, eleven, sixteen, twenty, thirty-six, thirty-nine, forty, forty-four, forty-five, forty-six, forty-seven, forty-eight, forty-nine, fifty-two, fifty-three, and sixty-three of this chapter are hereby, to the extent that they are now or hereafter may be applicable to corporations authorized to engage in the business of insurance in this state, specified in section one hundred and ten of this chapter, made specifically applicable to any corporation to which a certificate of authority shall be issued, pursuant to the terms of this article.

§ 269. **Extension of corporate existence.** Unless otherwise provided in its certificate of incorporation or articles of association, the corporate existence of every corporation to which a certificate of authority shall be issued, pursuant to the terms of sections two hundred and sixty and two hundred and sixty-one of this chapter, is hereby extended to the end of the twenty-fifth year from and including the year beginning the first day of January, nineteen hundred and eleven.

§ 2. Articles nine and ten of such chapter are hereby repealed.

§ 3. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 4. This act shall take effect July first, nineteen hundred and ten.

Chapter 614

AN ACT to amend article two of the insurance law, in relation to surrender and lapsed policies of life insurance.

Became a law June 23, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section eighty-eight of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 88. **Surrender value of lapsed or forfeited policies.** Whenever any policy of life insurance issued after January first, eighteen hundred and eighty, and before January first, nineteen hundred and seven, by any domestic life insurance corporation after being in force three full years, shall, by its terms, lapse or become forfeited for the nonpayment of any premium or any note given for a premium or loan made in cash on such policy as security, or of any interest on such note or loan, the reserve on such policy computed according to the American experience table of mortality at the rate of four and one-half per centum per annum shall, on demand made, with surrender of the policy within six months after such lapse or forfeiture, be taken as a single premium of life insurance at the published rates of the corporation at the time the policy was issued, and shall be applied, as shall have been agreed in the application or policy, either to continue the insurance of the policy in force at its full amount so long as such single premium will purchase temporary insurance for that amount at the age of the insured at the time of lapse or for-

feiture, or to purchase upon the same life at the same age paid-up insurance payable at the same time and under the same conditions, except as to payments of premiums, as the original policy. If no such agreement be expressed in the application or policy, such single premium may be applied in either of the modes above specified at the option of the owner of the policy, notice of such option to be contained in the demand hereinbefore required to be made to prevent the forfeiture of the policy. The reserve hereinbefore specified shall include dividend additions calculated at the date of the failure to make any of the payments above described according to the American experience table of mortality with interest at the rate of four and one-half per centum per annum after deducting any indebtedness of the insured on account of any annual or semi-annual or quarterly premium then due and any loan made in cash on such policy, evidence of which is acknowledged by the insured in writing. The net value of the insurance given for such single premium under this section, computed by the standard of this state, shall in no case be less than two-thirds of the entire reserve computed according to the rule prescribed in this section after deducting the indebtedness as specified; but such insurance shall not participate in the profits of the corporation. If the reserve upon any endowment policy applied according to the provisions of this section as a single premium of temporary insurance be more than sufficient to continue the insurance to the end of the endowment term named in the policy, and if the insured survive that term, the excess shall be paid in cash at the end of such term, on the conditions on which the original policy was issued. This section shall not apply to any case of a policy issued before January first, nineteen hundred and seven, where the provisions of the section are specifically waived in the application and notice of such waiver is written or printed in red ink on the margin of the face of the policy when issued. If any policy of life insurance (other than a term policy for twenty years or less), issued on or after January first, nineteen hundred and seven, by any domestic life insurance corporation, after being in force three full years, shall by its terms lapse or become forfeited

by the nonpayment of any premium or any note therefor or any loan on such policy or of any interest on such note or loan, the reserve on such policy computed according to the standard adopted by said company in accordance with section eighty-four of this chapter, together with the value of any dividend additions upon said policy, after deducting any indebtedness to the company and one-fifth of the said entire reserve, or the sum of two and fifty one-hundredths dollars for each one hundred dollars of the face of said policy if said sum shall be more than the said one-fifth, shall upon demand not later than three months after the date of lapse with surrender of the policy be applied as a surrender value as agreed upon in the policy, provided that if no other option expressed in the policy be availed of by the owner thereof, and if the policy itself does not direct what option shall become operative in default of selection by the owner, the same shall be applied to continue the insurance in force at its full amount including any outstanding dividend additions less any outstanding indebtedness on the policy but without future participation and without the right to loans, so long as such surrender value will purchase nonparticipating temporary insurance at net single premium rates by the standard adopted by the company, at the age of the insured at the time of lapse or forfeiture, provided in case of any endowment policy if the sum applicable to the purchase of temporary insurance shall be more than sufficient to continue the insurance to the end of the endowment term named in the policy, the excess shall be used to purchase in the same manner pure endowment insurance payable at the end of the endowment term named in the policy on the conditions on which the original policy was issued, and provided further that any attempted waiver of the provisions of this paragraph in any application, policy or otherwise, shall be void, and provided further that any value allowed in lieu thereof shall at least equal the net value of the temporary insurance or of the temporary and pure endowment insurance herein provided for. The term of temporary insurance herein provided for shall include the period of grace, if any. In every case where a contract provides for both

insurance and annuities, the foregoing provisions shall apply only to that part of the contract which provides for insurance, but every such contract containing a provision for a deferred annuity on the life of the insured only (unless paid for by a single premium) shall provide that in the event of the nonpayment of any premium after three full years' premiums shall have been paid, the annuity shall automatically become converted into a paid-up annuity for such a proportion of the original annuity as the number of completed years' premiums paid bears to the total number of premiums required under the contract.

§ 2. This act shall take effect immediately.

Chapter 615

AN ACT to amend the insurance law, in relation to religious orders.

Became a law June 23, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding after section sixty-three thereof, a new section to be section sixty-four, to read as follows:

§ 64. **Provisions of insurance law not to apply to religious orders.** None of the provisions of this chapter shall apply to any corporation, organized under the laws of any state or territory of the United States solely for the purpose of providing for the support or relief of the priests, clergy or ministers of any religious denomination, or for the support or relief of those dependent on them.

§ 2. This act shall take effect immediately.

Chapter 616

AN ACT to amend the insurance law, in relation to the valuation of industrial life insurance policies.

Became a law June 23, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section eighty-four of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 84. **Valuation of policies.** The superintendent of insurance shall annually make valuations of all outstanding policies, additions thereto, unpaid dividends, and all other obligations of every life insurance corporation doing business in this state. All valuations made by him or by his authority shall be made upon the net premium basis. The legal minimum standard for contracts issued before the first day of January, nineteen hundred and one, shall be the actuaries' or combined experience table of mortality with interest at four per centum per annum, and for contracts issued on or after said day shall be the American experience table of mortality with interest at three and one-half per centum per annum; provided that the legal minimum valuation of all contracts issued on or after the first day of January, nineteen hundred and seven, shall be in accordance with the select and ultimate method, and on the basis that the rate of mortality during the first five years after the issuance of said contracts respectively shall be calculated according to the following percentages of the rates shown by the American experience table of mortality, to wit, first insurance year fifty per centum thereof, second insurance year sixty-five per centum thereof, third insurance year seventy-five per centum thereof, fourth insurance year eighty-five per centum thereof, and fifth insurance year ninety-five per

centum thereof. The superintendent may vary the standards of interest and mortality in the case of corporations from foreign countries as to contracts issued by such corporations in other countries than the United States; and in particular cases of invalid lives and other extra hazards, and value policies in groups, use approximate averages for fractions of a year and otherwise, and accept the valuation of the department of insurance of any other state or country if made upon the basis and according to the standards herein required in place of the valuation herein required if the insurance officer of such state or country accepts as sufficient and valid for all purposes the certificate of valuation of the superintendent of insurance of this state. No policy issued after the thirty-first day of December, nineteen hundred and six, shall be valued as term insurance unless premiums are based upon net term rates; and no policy with level premiums issued after said date shall be valued as term insurance for the first policy year. The legal minimum standard for the valuation of annuities issued after January first, nineteen hundred and seven, shall be McClintock's "Tables of Mortality among Annuitants" with interest at three and one-half per centum per annum, but annuities deferred ten or more years and written in connection with life or term insurances shall be valued on the same mortality table from which the consideration or premiums were computed, with interest not higher than three and one-half per centum per annum. The legal minimum standard for the valuation of industrial policies issued after the first day of January, nineteen hundred and seven, shall be the American experience table of mortality with interest at three and one-half per centum per annum, provided, that any life insurance corporation may voluntarily value its industrial policies written on the weekly premium payment plan according to the standard industrial mortality table or the substandard industrial mortality table. Any life insurance corporation may voluntarily value its policies, or any class thereof, according to the American experience table of mortality, or if industrial, at its option, according to the standard industrial mortality table or substandard industrial mortality table, at a *lower-rate of interest than that above pre-

* So in original.

scribed, but not lower than three per centum per annum, and with or without reference to the select and ultimate method of valuation, and in every such case shall report any excess of its valuations over those computed by the said legal minimum standard and also the standards used by it in making the same to the superintendent of insurance in its annual statement, provided that no such standards, if adopted, shall be abandoned without the consent of the superintendent of insurance first obtained in writing.

§ 2. This act shall take effect immediately.

Chapter 620

AN ACT to amend the penal law, in relation to misconduct by officers and directors of life or casualty insurance corporations upon the co-operative or assessment plan or of fraternal beneficiary societies, orders or associations.

Became a law June 23, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter eighty-eight of the laws of nineteen hundred and nine, entitled "An act providing for the punishment of crime, constituting chapter forty of the consolidated laws," is hereby amended by adding thereto, after section six hundred and sixty-nine thereof, a new section, to be section six hundred and seventy thereof, to read as follows:

§ 670. **Misconduct by officers and directors of life or casualty insurance corporations upon the co-operative or assessment plan or of fraternal beneficiary societies, orders or associations.** Any officer or director of a life or casualty insurance corporation upon the co-operative or assessment plan or of a fraternal beneficiary society, order or association, who shall sell his position as such officer or director for any money or valuable consideration, or who shall accept or receive, directly or indirectly, any money or valuable consideration for his resignation as such officer or di-

rector, shall be guilty of a felony if the money or valuable consideration accepted or received for the sale or resignation of such position as officer or director shall be more than five hundred dollars, and, if a less amount, shall be guilty of a misdemeanor.

§ 2. This act shall take effect immediately.

Chapter 634

AN ACT to amend article one of the insurance law, generally.

Became a law June 23, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section six of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 6. **Fees.** Every corporation or person to whom this chapter shall be applicable shall pay the following fees to the superintendent, unless remitted by him. For filing the declaration and certified copy of the charter required by law, thirty dollars. For filing the annual report required by law, twenty dollars. For each certificate of authority and certified copy thereof, and for each certificate of deposit, valuation or compliance, not exceeding five dollars. For every copy of any paper filed in his office, ten cents per folio; and for affixing the official seal on such copy and certifying the same; one dollar. All fees, perquisites and moneys received by the insurance department, or any officer thereof, from or on account of any insurance corporation, shall be paid into the state treasury monthly.

§ 2. Section seven of said chapter as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 7. **Expenses of examinations.** The expenses of every examination or other investigation of the affairs of an insurance corporation, pursuant to the authority conferred by the provisions of this

chapter, shall be borne and paid by the corporation so examined, unless remitted by the superintendent. No charge shall be made for any examination of an insurance corporation by the superintendent or his deputy personally, or by one or more of the regular clerks of the department except for necessary traveling and other actual expenses. All charges for making any examination and all charges against an insurance corporation by an attorney or appraiser of the department shall be presented in the form of an itemized bill approved by the superintendent, audited by the comptroller, and paid on his warrant drawn in the usual manner on the state treasurer, to the person making the examination. The corporation examined on receiving a certified copy of such bill so approved, audited and paid, shall repay the amount thereof to the superintendent of insurance, to be by him paid into the state treasury to replace the money drawn out as above provided. No insurance corporation, or any officer or director thereof, shall either directly or indirectly pay by way of gift, credit or otherwise, any sum of money or other valuable thing to the superintendent or any clerk or employee of the insurance department or any examiner for extra service or for purposes of legislation, or by way of a loan, or on any other pretense whatsoever.

§ 3. Section nine of said chapter is hereby amended to read as follows:

§ 9. **Certificate of authorization of superintendent.** No corporation, nor any individual, as principal, shall transact the business of insurance within this state without the certificate of the superintendent of insurance, certifying under his hand and official seal that such corporation or individual has complied with all the requirements of law to be observed by such corporation or individual, and that such corporation or individual is authorized to transact the business of insurance specified therein in this state. Such certificate shall be recorded in the office of the superintendent in a book to be kept by him for that purpose. No corporation or individual shall transact in this state any insurance business not specified in the certificate of authority granted by the superintendent. The superintendent may refuse to issue any such certificate to a domestic or foreign corporation, if, in his

judgment, such refusal will best promote the interests of the people of the state. Nothing in this section contained shall apply to any insurance company organized prior to the first day of October, eighteen hundred and ninety-two, under any general or special law of this state and carrying on business on said date, but every such corporation is hereby recognized as an existing corporation and is hereby authorized to continue as such corporation and to continue such business until the legislature shall otherwise provide, subject to such of the provisions of this chapter as are made applicable to such corporations.

§ 4. Section twelve of said chapter is hereby amended to read as follows:

§ 12. **Minimum capital stock.** No domestic fire or marine stock insurance corporation shall be hereafter organized with a smaller capital stock than two hundred thousand dollars fully paid in in cash, but nothing in this section contained shall be understood to relate to the class of corporations provided for in articles nine or ten of this chapter.

No domestic life, health or casualty stock insurance corporation shall be hereafter organized with a smaller capital stock than one hundred thousand dollars fully paid in in cash, with an additional capital stock of fifty thousand dollars fully paid in in cash for every kind of insurance more than one which it is authorized to do by section seventy of this chapter. Any corporation to which this section is applicable shall also, at the time of its organization, have a surplus equal to fifty per centum of its capital stock, which surplus shall also be fully paid in in cash; provided that this requirement shall not apply to existing corporations reincorporated.

§ 5. Section thirteen of said chapter is hereby amended to read as follows:

§ 13. **Deposit of securities.** Every deposit made with the superintendent of insurance by any domestic or foreign insurance corporation shall be in the stocks or bonds of the United States or of this state or in the bonds of a county or incorporated city in this state, authorized to be issued by the legislature, not estimated above their par or their current market value. Such deposit may be made by an insurance corporation incorporated

under the laws of another state of the United States in the stocks or bonds of such state or in the bonds of a county or incorporated city therein authorized to be issued by the legislature, not estimated above their par or their current market value; provided that similar domestic insurance corporations doing business in such state are authorized by the laws thereof to deposit or hold as security therein for the benefit or security of their policyholders and creditors in such state like securities of this state. Such deposit may be made by an insurance corporation incorporated under the laws of a country outside of the United States authorized to do business in this state in the stocks or bonds of such country or of any province or city therein, or, if any securities other than those above named are offered as a deposit, they may be accepted at such valuation and on such conditions as the superintendent of insurance may direct, provided that similar domestic insurance corporations doing business in such country outside of the United States are authorized by the laws thereof to deposit or hold as security therein for the benefit or security of their policyholders and creditors in such country the stocks or bonds of the United States, the stocks or bonds of this state or of any county or incorporated city in this state and securities of the same general character as those which are offered for deposit in the insurance department; and provided, further, that if any country makes a deduction from the value of the securities deposited by similar domestic corporations a similar deduction shall be made from the securities deposited in the insurance department by corporations incorporated under the laws of such country. If the market value of any of the securities which have been deposited by any company shall decline below that at which they were deposited, the superintendent of insurance shall call upon the company to make a further deposit, so that the market value of all securities deposited by any such company shall be equal to the amount which it is required to deposit.

§ 6. Section sixteen of said chapter as amended by chapters two hundred and forty and three hundred and two of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 16. **Investment of capital and surplus.** The cash capital of every domestic insurance corporation required to have a capital, to the extent of the minimum capital required by law, shall be invested and kept invested in the stocks or bonds of the United States or of this state, not estimated above their current market value, or in the bonds of a county or incorporated city in this state authorized to be issued by the legislature, not estimated above their par value or their current market value, or in bonds and mortgages on improved unencumbered real property in this state worth fifty per centum more than the amount loaned thereon. The cash capital of every foreign insurance corporation to the extent of the minimum capital required of a like domestic corporation shall be invested and kept invested in the same class of securities specified for domestic insurance corporations, except that like securities of the home state or foreign country shall be recognized as legal investments for the amount of the minimum capital required. The residue of the capital and the surplus money and funds of every domestic insurance corporation over and above its capital, and the deposit that it may be required to make with the superintendent, may be invested in or loaned on the pledge of any of the securities in which deposits are required to be invested, or in the public stocks or bonds of any one of the United States, or in bonds and mortgages on improved unincumbered real property in this state worth fifty per centum more than the amount loaned thereon, or, except as in this chapter otherwise provided, in the stocks, bonds or other evidence of indebtedness of any solvent institution incorporated under the laws of the United States or of any state thereof, or in such real estate as it is authorized by this chapter to hold; but no such funds shall be invested in or loaned on its own stock or the stock of any other insurance corporation carrying on the same kind of insurance business. Any domestic insurance corporation may, by the direction and consent of two-thirds of its board of directors, managers or finance committee, invest, by loan or otherwise, any such surplus moneys or funds in the bonds issued by any city, county, town, village or school district of this state, pursuant to any law of this state. Any corporation organized under subdivision one-a, section one hundred and seventy of this chapter, for guaranteeing the validity and

legality of bonds or other evidences of indebtedness issued by any state, or by any city, county, town, village, school district, municipality, or other civil division of any state, may invest by loan or otherwise any of such surplus moneys or funds, as provided in section one hundred of this chapter. Every such domestic corporation doing business in other states of the United States or in foreign countries may invest the funds required to meet its obligation incurred in such other states or foreign countries, and in conformity to the laws thereof, in the same kind of securities in such other states or foreign countries that such corporation is by law allowed to invest in in this state. Any life insurance company may lend a sum not exceeding the lawful reserve which it holds upon any policy, on the pledge to it of such policy and its accumulations as collateral security. But nothing in this section shall be held to authorize one insurance corporation to obtain, by purchase or otherwise, the control of any other insurance corporation.

§ 7. Section eighteen of said chapter as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 18. **Stocks, bonds and other evidences of debt.** If any domestic insurance corporation shall have invested any of its funds in or loaned any of its funds upon the stock, bonds or other evidences of debt of other corporations or of any nation, state, county, city, town, village, school district, municipality or other civil division of any state, pursuant to the laws of this state, and the superintendent shall have reason to believe that such stock, bonds or other evidences of debt are not amply secured or are not yielding an income, he may direct it to report to him under oath the amount thereof, the security therefor and its market value. No stock and no bond or other evidence of debt if in default as to principal or interest, or if not amply secured, shall be valued as an asset of the corporation above its market value. All bonds or other evidences of debt held by any life insurance corporation authorized to do business in this state shall, if amply secured and if not in default as to principal or interest, be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the

value to par at maturity and so as to yield meantime the effective rate of interest at which the purchase was made; provided that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, and provided further that the superintendent of insurance shall have full discretion in determining the method of calculating values according to the foregoing rule, and the values found by him in accordance with such method shall be final and binding; provided, also, that any such corporation may return such bonds or other evidences of debt at their market value or their book value, but in no event at an aggregate value exceeding the aggregate of the values calculated according to the foregoing rule. The superintendent of insurance may, at any time, in his discretion, require any insurance corporation, other than a life insurance corporation, authorized to do business in this state to value its bonds or other evidences of debt in accordance with the foregoing rule.

§ 8. Section twenty-four of said chapter is hereby amended to read as follows:

§ 24. **Limitation of risk.** No domestic insurance corporation, nor any insurance corporation organized under the laws of any country outside of the United States, doing business in this state, shall expose itself to any loss on any one risk or hazard to an amount exceeding ten per centum of its capital and surplus. No insurance corporation incorporated under the laws of any other state of the United States, doing business in this state, shall expose itself to any loss on any one risk or hazard within this state to an amount exceeding ten per centum of its capital and surplus. No portion of any such risk or hazard which shall have been re-insured in a corporation authorized to do insurance business in this state shall be included in determining the limitation of risk prescribed in this section. This section shall not apply to life insurance corporations, nor to marine insurance corporations authorized to do business in this state.

§ 9. Section twenty-six of said chapter is hereby amended to read as follows:

§ 26. **Deposits by insurance corporations of other states.** Every insurance corporation incorporated under the laws of any other state of the United States, and doing business in this state, shall

keep on deposit with the superintendent of insurance of this state, or with the auditor, comptroller or general fiscal officer of the state by whose laws it is incorporated, the same amount and character of securities which a like domestic insurance corporation is required to deposit with the superintendent of insurance of this state, but a corporation of another state, depositing with its home state authorities bonds and mortgages on improved unencumbered real property located in the home state or in this state worth fifty per centum more than the amount loaned thereon, shall be allowed credit for such deposits covered by any certificate of deposit furnished the superintendent of insurance as hereinafter required. The superintendent of insurance shall be furnished with the certificate of such auditor, comptroller or general fiscal officer, under his hand and official seal, that he, as such auditor, comptroller or general fiscal officer of such state, holds in trust and on deposit, for the benefit of all the policyholders of the corporation, such stocks and securities. Such certificates shall embrace the items of the securities so held, and shall state that the officer making it is satisfied that the securities are worth the amount required by law.

§ 10. Section twenty-seven of said chapter is hereby amended to read as follows:

§ 27. **Funds and capital of insurance corporations incorporated outside of the United States.** A foreign insurance corporation incorporated by or existing under the government or laws of any country outside of the United States, and admitted to do business in this state, shall not transact any business of insurance in this state, unless it shall have within the United States, deposited with insurance departments or held in trust as hereinafter provided, not less than five hundred thousand dollars, if a fire insurance corporation), and not less than two hundred thousand dollars, if a life or casualty insurance corporation, invested in like manner as the capital of a similar domestic insurance corporation is required to be invested.

The capital of such foreign fire insurance corporation, doing fire insurance business in this state, or of any such company hereafter admitted to such business in this state, shall, for the purposes of this chapter, be the aggregate value of such sums or

securities as such corporation shall have on deposit in the insurance department of this state, and of the other states of the United States, for the benefit of policyholders in any of such states or in the United States, and of all bonds and mortgages for money loaned on real estate in this state or in any state of the United States, if such loans shall be made in conformity with the laws of such state providing for the incorporation of insurance companies therein and the investment of their capital, and of all other assets and property in the United States, in which fire insurance companies may invest under the provisions of sections thirteen and sixteen, if such bonds and mortgages, assets and property shall be held in the United States by trustees, approved by the superintendent of insurance and citizens of the United States, or deposited with a trust company to be approved by him, for the general benefit and security of all its policyholders in the United States, after taking from such aggregate value the same deductions for losses, debts and liabilities in this and the other states of the United States, and for premiums upon risks therein not yet expired, as is authorized or required by the laws of this state, or the regulation of its department with respect to fire insurance companies organized under the laws of this state.

In addition to the reports required by law of any such foreign fire insurance corporation, it shall annually, in the month of January, render to the superintendent a detailed statement of the items making up such capital, and the deductions to be made therefrom, signed and verified by the manager and a majority of the trustees, or if a trust company, by the proper officers thereof, of the corporation residing in the United States, and the superintendent shall, thereupon, and from such examinations as he may make of the affairs of the corporation, determine the amount of such capital as of the first day of January, and issue to such corporation his certificate of the amount of its capital so determined; and if it shall at any time appear that the net capital for which the last certificate shall be outstanding has been materially reduced, the superintendent may call in such certificate and issue another, corresponding to such reduced capital, providing the capital is not reduced below the sum of two hundred thousand dollars.

The capital of any such foreign insurance company, so determined and certified, shall be subject to taxation as provided for in section thirty-four of this chapter.

When any part of its capital is held by trustees or by a trust company, pursuant to the provisions of this section, such trustees or trust company shall be appointed by the board of managers or directors of such foreign insurance corporation, and a duly certified copy of the vote or resolution creating the trust shall, with a certified copy of such trust deed, be filed in the office of the superintendent of insurance; and the superintendent may examine such trustees or the agent or attorney of the corporation in the same manner as he is authorized by this chapter to examine the affairs and funds of any domestic insurance corporation; but the superintendent of insurance shall, upon the written request of any such foreign fire insurance company, transfer to trustees duly appointed by it under the provisions of this section any excess of securities which it shall have deposited with him above the sum of two hundred thousand dollars.

The deposit required of such corporation shall be reckoned and considered as the sum of two hundred thousand dollars, which shall be deposited with the superintendent of insurance in the securities authorized by law. The said superintendent may also receive such additional amounts as said foreign insurance company shall deposit with him, but any additional amounts now on deposit, or which may hereafter be deposited with the said superintendent, shall be received and held by him as a voluntary deposit, in trust for all the policyholders of said foreign insurance company in the United States, and any securities in excess of said two hundred thousand dollars as aforesaid shall, on the written request of said foreign insurance company, be transferred to the trustees appointed by said company, as in this section provided.

§ 11. Section twenty-eight of said chapter is hereby amended to read as follows:

§ 28. **Special deposit required in certain cases.** No insurance corporation, incorporated by or existing under the government or laws of other countries than the United States, except co-operative life and fraternal beneficiary insurance corporations, shall transact any business of insurance in this state, unless, if it trans-

act fire or marine insurance business in this state, it has deposited with the superintendent of insurance, for the benefit and security of its policyholders in the United States, a sum not less than two hundred thousand dollars invested as in this chapter required, or if it transact in this state one or more of the kinds of insurance business specified in section seventy of this chapter, it has deposited with the superintendent of insurance, for like purposes, such amount as may be required of domestic insurance corporations doing the same kinds of business. A foreign insurance corporation incorporated by or existing under the government or laws of any country outside of the United States, authorized to transact the business of fire insurance in this state, may be authorized to transact the business of ocean marine insurance, provided it makes an additional deposit with the superintendent of insurance of two hundred thousand dollars in deposit securities, and files with the insurance department annually a separate financial statement for each class of business.

§ 12. Section thirty of said chapter is hereby amended to read as follows:

§ 30. **Appointment of attorney.** No foreign insurance corporation shall transact any business of insurance in this state until it has executed and filed in the office of the superintendent of insurance a written appointment of the superintendent to be the true and lawful attorney of such corporation in and for this state, upon whom all lawful process in any action or proceeding against the corporation may be served with the same effect as if it was a domestic corporation. Service upon such attorney shall thereafter be deemed service upon the corporation.

§ 13. Section thirty-four of said chapter is hereby amended to read as follows:

§ 34. **Taxation of foreign corporations.** The capital of an insurance corporation incorporated under the laws of any state or country outside of the United States, to the extent employed in the transaction of business in this state, and as determined and certified as prescribed by section twenty-seven of this chapter, shall be subject to taxation the same as the capital of a like domestic insurance corporation, to be levied, assessed and collected, as prescribed by law, at such place in the state as it shall have its

principal office. Upon satisfactory proof to the superintendent of insurance that any foreign insurance corporation has neglected or refused to pay any tax levied and assessed under the laws of this state, he shall revoke any certificate of authority granted by him to such corporation to do business in this state, and it shall thereafter be precluded from doing business herein. Every health or casualty insurance corporation incorporated by or organized under the laws of any government outside of the United States engaged in the transaction of the business of health or casualty insurance in this state shall annually, on or before the first day of March, pay to the superintendent of insurance a tax of two per centum on all premiums received in cash or otherwise by its attorneys or agents in this state during the year ending on the preceding thirty-first day of December, upon which a tax on premiums has not been paid to any other state. Every life insurance corporation incorporated by or organized under the laws of any government outside of the United States engaged in the transaction of the business of life insurance in this state shall annually, on or before the first day of March, pay to the superintendent of insurance a tax of one per centum on all premiums received in cash or otherwise by its attorneys or agents in this state during the year ending on the preceding thirty-first day of December, upon which a tax on premiums has not been paid to any other state. If any such corporation shall neglect or refuse to pay such tax, the superintendent shall collect the same out of the interest on the stocks or securities deposited in the insurance department. The agent of every corporation, association or individual not incorporated by the laws of this state to effect insurances against marine risks shall annually, on or before the first day of February, pay to the superintendent of insurance a tax of two per centum upon the amount of all premiums upon insurances against marine risks which have been received by such agent or any person for him or have been agreed to be paid for any such insurance effected or agreed to be effected or procured by him, within this state, for the year ending the thirty-first day of December preceding. In ascertaining the amount of premiums upon which said two per centum tax is to be levied, there shall be deducted from the premiums aforesaid, on account of reinsurances, such portion

of the premiums upon said reinsurances as may have been paid to companies that are subject to the payment of the tax hereby provided for, but no credit or deduction shall be allowed on account of such reinsurances where any part of the risk insured against is reinsured in a corporation authorized to effect insurances against fire or in the fire insurance branch of a corporation authorized to effect insurances against both marine and fire risks.

§ 14. Section thirty-seven of said chapter is hereby amended to read as follows:

§ 37. Corporations heretofore formed; exemption of corporations subject to supervision of banking department. Any domestic insurance corporation heretofore incorporated or extended under the provisions of any general or special law of the state is hereby brought under all of the provisions of this chapter relating to such corporation, except that its capital may continue of the amount named in its charter during the existing term thereof, unless it extends its business to other kinds of insurance, and it shall be entitled to all privileges granted by such charter not authorized by this chapter. A greater number than a majority of the directors of any such specially chartered corporation shall not be required to be residents of this state notwithstanding the provisions of any special law.

The provisions of this article shall not apply to any corporation subject to the supervision of or required by or in pursuance of law to report to the superintendent of banks, but any such corporation shall be subject to examination by the superintendent of insurance and shall make such report to him as he shall require.

§ 15. Section thirty-nine of said chapter is hereby amended to read as follows:

§ 39. **Examiners and examinations.** The superintendent of insurance shall, as often as he deems it expedient, and, if a domestic life insurance corporation, at least once in three years, or, if any other domestic insurance corporation, association, society or order, at least once in five years, examine into the affairs of any insurance corporation doing business in this state, and into the affairs of any corporation organized under any law of this state or having an office in this state, which corporation is engaged in or is claiming or advertising that it is engaged in organizing or receiv-

ing subscriptions for or disposing of stock of, or in any manner aiding or taking part in the formation or business of, an insurance corporation or corporations, or which is holding the capital stock of one or more insurance corporations for the purpose of controlling the management thereof as voting trustee or otherwise. For such purpose he may appoint as examiners one or more competent persons not officers of or connected with or interested in any insurance corporation other than as policyholders; and upon such examination he, his deputy or any examiner authorized by him may examine under oath the officers and agents of such corporation and all persons deemed to have material information regarding the company's property or business. Every such corporation, its officers and agents shall produce its books and all papers in its or their possession relating to its business or affairs, and any other person may be required to produce any book or paper in his custody deemed to be relevant to the examination, for the inspection of the superintendent, his deputies or examiners whenever required; and the officers and agents of such corporation shall facilitate such examination and aid the examiners in making the same so far as it is in their power to do so. Every such examiner shall make a full and true report of every examination made by him, verified by his oath, which shall comprise only facts appearing upon the books, papers, records or documents of such corporation, or ascertained from the testimony, sworn to, of its officers or agents or other persons examined under oath concerning its affairs, and such conclusions and recommendations as may reasonably be warranted from such facts so disclosed, and said report so verified shall be presumptive evidence in any action or proceeding in the name of the people against the corporation, its officers or agents, of the facts stated therein. The superintendent shall grant a hearing to the corporation examined before filing any such report; and may withhold any such report from public inspection for such time as he may deem proper and may, if he deems it for the interest of the public to do so, publish any such report or the result of any such examination as contained therein, in one or more newspapers of the state.

§ 16. Section forty-four of said chapter is hereby amended to read as follows:

§ 44. Reports of corporations. Every corporation, engaged wholly or in part in the transaction of the business of insurance in this state, whether heretofore or hereafter incorporated by a general or special law, shall annually, on the first day of January, or within two months thereafter, if a corporation under article two of this chapter, and on or before the fifteenth day of February, if a corporation under the other articles of this chapter, file in the office of the superintendent of insurance a statement verified by the oath of at least two of the principal officers of such corporation, showing its condition on the thirty-first day of December then next preceding, which shall be in such form and shall contain such matters as the superintendent shall prescribe. If a foreign corporation incorporated under the laws of a state or country outside of the United States, such oath may be made by the manager thereof within the United States. The superintendent may also address any inquiry to any such insurance corporation or its officers in relation to its doings or condition, or any other matter connected with its transactions. Every corporation so addressed shall promptly and truthfully reply in writing to any such inquiries, and such reply shall be verified, if required by the superintendent, by such officer of the corporation as he shall designate.

§ 17. Section forty-six of said chapter as amended by chapter three hundred and one of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 46. Annual report of superintendent. The superintendent of insurance shall annually transmit to the legislature at the opening of its session, or within ninety days thereafter, a report containing the statements and reports made to him pursuant to the provisions of section forty-four of this chapter, as such statements and reports shall be audited and corrected by him, all arranged in tabular form, or in abstracts, in classes according to the kind of insurance made by the corporation, which report shall also contain:

1. A statement of all insurance corporations authorized to do business in this state during the year ending the thirty-first day of December next preceding with their names, locations, amounts of capital, dates of incorporation, and of the commencement of business, and kinds of insurance in which they are engaged respectively.

2. A statement of the insurance corporations whose business has been closed during such year and the reasons for closing the same, with the amount of their assets and liabilities so far as the same are known, or can be ascertained by him.

3. Any amendments to this chapter which in his judgment may be desirable.

4. The names and compensation of the clerks employed by him and the whole amount of the expenses of the department.

In addition to the usual number of copies for the use of the legislature, there shall be printed and in readiness for distribution by the printer employed to print legislative documents four thousand copies of such report for the use of the department.

§ 18. Section fifty-two of said chapter is hereby amended to read as follows:

§ 52. **Reorganization of existing corporations and amendment of certificates.** Any domestic corporation existing or doing business on October first, eighteen hundred and ninety-two, may, by a vote of a majority of its directors or trustees, accept the provisions of this chapter and amend its charter to conform with the same, upon obtaining the consent of the superintendent of insurance thereto in writing; and thereafter it shall be deemed to have been incorporated under this chapter, and every such corporation in re-incorporating under this provision may for that purpose so adopt in whole or in part a new charter, in conformity herewith, and include therein any or all provisions of its existing charter, and any or all changes from its existing charter, to cover and enjoy any or all the privileges and provisions of existing laws which might be so included and enjoyed if it were originally incorporated thereunder, and it shall, upon such adoption of and after obtaining the consent, as in this section before provided, to such charter, and filing the same and the record of adoption and consent in the office of the superintendent of insurance, perpetually enjoy the same as and be such corporation, which is declared to be a continuation of such corporation which existed prior to such re-incorporation; and the offices therein which shall be continued shall be filled by the respective incumbents for the periods for which they were elected, and all others shall be filled in the same manner by such amended charter provided. Every domestic insur-

ance corporation may amend its charter or certificate of incorporation by inserting therein any statement or matter which might have been originally inserted therein; and may likewise amend its charter or certificate of incorporation, by inserting therein any powers which, at the time of such amendment, may have been conferred by law upon domestic insurance corporations engaged in a business of the same general character, or which might be included in the certificate of incorporation of a domestic insurance company organized under any general law of this state for a business of the same general character; and the same proceedings shall be taken upon the presentation of such amended charter or certificate to the superintendent of insurance, as are required by this chapter to be taken with respect to an original charter or certificate, except that no examination of the condition and affairs of such corporation shall be required unless so ordered by the superintendent, and if the amended charter or certificate be approved by the superintendent of insurance, and his certificate of authority to do business thereunder is granted, the corporation shall thereafter be deemed to possess the same powers and be subject to the same liabilities as if such amended charter or certificate had been its original charter or certificate of incorporation but without prejudice to any pending action or proceeding or any rights previously accrued. Upon the reincorporation or upon the amendment of the charter of any life insurance corporation, having a capital stock, in accordance with the provisions of this section, it may by a vote of a majority of its directors confer upon its policyholders or upon such policyholders as may have a prescribed amount of insurance upon their lives the right to vote for all or any less number of the directors in such manner not inconsistent with any provision of this chapter as may be authorized by a vote of the stockholders representing at least a majority of the capital stock at a meeting of stockholders called for the purpose. Section eighteen of the stock corporation law shall not apply to such a corporation. This section shall apply to insurance corporations organized under or subject to article six of this chapter as well as to insurance corporations organized under a special act or any general law or article two of this chapter. In the case of any corporation or-

ganized under or subject to article six of this chapter, which corporation has amended its charter and is now operating under article two of this chapter, all contracts, policies and certificates issued prior to its reincorporation, shall be valued as one year term insurance at the ages attained excepting when such contracts, policies or certificates shall provide for a limited number of specified premiums or for specified surrender values, in which case they shall be valued as provided in article two, section eighty-four of this chapter. But no life insurance corporation shall hereafter be permitted to avail itself of the provisions of this section unless it shall hold for all its outstanding policies or certificates assets equal in value to the minimum reserve required by section eighty-four of this chapter.

§ 19. Section fifty-five of said chapter is hereby amended to read as follows:

§ 55. Insurance without the consent of the insured prohibited.

No policy of insurance shall be issued upon any property except upon the application and in the name of some person having an interest in the property. No policy or agreement for insurance shall be issued upon the life or health of another or against loss by disablement by accident except upon the application of the person insured; but a wife may take a policy of insurance upon the life or health of her husband or against loss by his disablement by accident; an employer may take out a policy of accident insurance covering his employees collectively for the benefit of such as may be injured, and a person liable for the support of a child of the age of one year and upwards may take a policy of insurance thereon, the amount payable under which may be made to increase with advancing age and which shall not exceed the sums specified in the following table, the ages wherein specified being the age at time of death, for an amount not exceeding the sum specified in the table:

Between the ages of one and two years, thirty dollars.

Between the ages of two and three years, thirty-four dollars.

Between the ages of three and four years, forty dollars.

Between the ages of four and five years, forty-eight dollars.

Between the ages of five and six years, fifty-eight dollars.

Between the ages of six and seven years, one hundred and forty dollars.

Between the ages of seven and eight years, one hundred and sixty-eight dollars.

Between the ages of eight and nine years, two hundred dollars.

Between the ages of nine and ten years, two hundred and forty dollars.

Between the ages of ten and eleven years, three hundred dollars.

Between the ages of eleven and twelve years, three hundred and eighty dollars.

Between the ages of twelve and thirteen years, four hundred and sixty dollars.

Between the ages of thirteen and sixteen years, five hundred and twenty dollars.

Between the ages of sixteen and seventeen years, six hundred and twelve dollars.

Between the ages of seventeen and eighteen years, seven hundred dollars.

Between the ages of eighteen and nineteen years, seven hundred and eighty-four dollars.

Between the ages of nineteen and twenty years, eight hundred and fifty-five dollars.

Between the ages of twenty and twenty-one years, nine hundred and thirty dollars.

In respect of insurance heretofore or hereafter, by any person not of the full age of twenty-one years but of the age of fifteen years or upwards, effected upon the life of such minor, for the benefit of such minor or for the benefit of the father, mother, husband, wife, brother or sister of such minor, the assured shall not, by reason only of such minority, be deemed incompetent to contract for such insurance or for the surrender of such insurance, or to give a valid discharge for any benefit accruing, or for money payable under the contract.

§ 20. Section fifty-seven of said chapter as amended by chapter two hundred and forty of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 57. **Application of article limited.** The provisions of this article shall not apply to any individual or partnership or associa-

tion of underwriters known as Lloyds or as individual underwriters which, on the first day of October, eighteen hundred and ninety-two, was lawfully engaged in the business of insurance within this state, and not required by law to report to the superintendent of insurance or the insurance department or subject to their supervision or examination, nor to any such association, notwithstanding any change hereafter made therein by the death, retirement or withdrawal of any such underwriters or by the admission of others to such association, except, however, that every such individual, partnership or association of underwriters shall, on or before the first day of February of each year, make and file with the superintendent of insurance a statement of its affairs during the year ending on the thirty-first day of December immediately preceding, which statement shall be verified by the accredited attorney of the underwriters of the association and shall be in such form and contain such matter as the superintendent of insurance shall prescribe. No partnership or association of underwriters known as Lloyds or as individual underwriters which was lawfully engaged or was lawfully entitled to engage in the business of insurance in this state on April first, nineteen hundred and two, and which failed to file with the superintendent of insurance, on or before September first, nineteen hundred and two, a copy of its original articles of association or co-partnership agreement, together with any amendments thereto, duly verified by one of the members thereof by affidavit to the effect that it is a true copy, and stating where the principal office of such partnership or association is located, the kind of business in which it was engaged and the name under which it did business, shall be permitted to engage in or transact the business of insurance.

§ 21. Section sixty-three of said chapter, as added by chapter three hundred of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 63. **Proceedings against and liquidation of delinquent insurance corporations.** This section shall apply to all domestic corporations, associations, societies and orders to which any article of this chapter is applicable, anything as to any such corporations, associations, societies or orders provided in this article to the

contrary notwithstanding; and the words "corporation" or "corporations" herein shall also include all such associations, societies and orders.

1. Whenever any such corporation (a) is insolvent; or (b) has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent, or his deputy or examiner; or (c) has neglected or refused to observe an order of the superintendent to make good within the time prescribed by law any deficiency, whenever its capital, if it be a stock corporation, or its reserve, if it be a mutual corporation, shall have become impaired; or (d) has, by contract of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other corporation, association, society or order, without having first obtained the written approval of the superintendent; or (e) is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public; or (f) has wilfully violated its charter or any law of the state; or (g) whenever any officer thereof has refused to be examined under oath touching its affairs; or (h), if such corporation be organized under article seven or article eight of this chapter, its condition is found, after examination, to be such that it could not meet the requirements for incorporation and authorization specified in such articles respectively, — the superintendent may, the attorney-general representing him, apply to the supreme court or any judge thereof in the judicial district in which the principal office of such corporation is located for an order directing such corporation to show cause why the superintendent should not take possession of its property and conduct its business, and for such other relief as the nature of the case and the interests of its policyholders, creditors, stockholders, or the public may require.

2. On such application, or at any time thereafter, such court may, in its discretion, issue an injunction restraining such corporation from the transaction of its business or disposition of its property until the further order of the court. On the return of such order to show cause, and after a full hearing, the court shall

either deny the application or direct the superintendent forthwith to take possession of the property and conduct the business of such corporation, and retain such possession and conduct such business until, on the application either of the superintendent, the attorney-general representing him, or of such corporation, it shall, after a like hearing, appear to the court that the ground for such order directing the superintendent to take possession has been removed and that the corporation can properly resume possession of its property and the conduct of its business.

3. If, on a like application and order to show cause, and after a full hearing, the court shall order the liquidation of the business of such corporation, such liquidation shall be made by and under the direction of the superintendent, who may deal with the property and business of such corporation in his own name as superintendent or in the name of the corporation, as the court may direct, and shall be vested by operation of law with title to all of the property, contracts and rights of action of such corporation as of the date of the order so directing him to liquidate. The filing or recording of such order in any record office of the state shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such corporation would have imparted.

4. For the purposes of this section, the superintendent shall have power to appoint, under his hand and official seal, one or more special deputy superintendents of insurance, as his agent or agents, and to employ such counsel, clerks and assistants as may by him be deemed necessary, and give each of such persons such powers to assist him as he may consider wise. The compensation of such special deputy superintendents, counsel, clerks and assistants, and all expenses of taking possession of and conducting the business of liquidating any such corporation shall be fixed by the superintendent, subject to the approval of the court, and shall, on certificate of the superintendent, be paid out of the funds or assets of such corporation.

5. For the purposes of this section, the superintendent shall have power, subject to the approval of the court, to make and prescribe such rules and regulations as to him shall seem proper.

6. The superintendent shall transmit to the legislature, in his

annual report, the names of the corporations so taken possession of, whether the same have resumed business or have been liquidated, and such other facts as shall acquaint the policyholders, creditors, stockholders and the public with his proceedings under this section; and, to that end, the special deputy superintendent in charge of any such corporation shall file annually with the superintendent a report of the affairs of such corporation.

7. All acts of the superintendent of insurance in taking or continuing in possession of any property, or in the regulation, conduct or liquidation of the business, of any corporation to which this section is applicable, since the first day of January, nineteen hundred and nine, whether such taking possession, continuing in possession, regulation, conduct or liquidation was in pursuance of a contract, by mutual consent or otherwise, are hereby ratified, legalized and confirmed.

8. At any time after the court shall order the liquidation of the business of any such corporation, as provided in paragraph numbered three of this section, the superintendent of insurance may apply for the dissolution of such corporation, and the same, after due notice and hearing and such other procedure as to the court shall seem proper, shall be dissolved.

§ 22. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 23. This act shall take effect on the first day of July, nineteen hundred and ten.

Chapter 636

AN ACT to amend the insurance law, in relation to standard provisions for accident and health policies.

Became a law June 24, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Article two of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the con-

solidated laws," is hereby amended by adding thereto a section, to be known as section one hundred and seven, to read as follows:

§ 107. **Standard provisions for accident and health policies.** On and after the first day of January, nineteen hundred and eleven, no policy of insurance against loss or damage from disease or by bodily injury by accident, or both, of the assured shall be issued or delivered in this state by any corporation organized under article two or article six of this chapter, or, if a foreign corporation, authorized to do business in this state (1) unless and until a copy of the form thereof and the table of rates or manual of risks of the corporation has been filed at least thirty days with the superintendent of insurance, unless before the expiration of said thirty days the superintendent shall have approved the same in writing; nor (2) if the superintendent of insurance notifies the corporation in writing that in his opinion the form of said policy does not comply with the requirements of the laws of this state, specifying the reasons for his opinion, provided that upon the petition of the company, the opinion of the superintendent of insurance shall be subject to review by any court of competent jurisdiction; nor (3) shall such policy be so issued or delivered unless every portion is plainly printed in type not smaller than long primer or ten point type; nor (4) unless there is printed on the first page thereof and on its filing back, in type not smaller than eighteen point or great primer, a brief description of the policy; nor (5) unless the exceptions be printed with the same prominence as the benefits to which such exceptions apply; nor (6) unless it contains, in substance, the following provisions:

1. A provision that such policy, with a copy of the application therefor, if any, and of such other papers as may be attached to or indorsed thereon shall constitute the entire contract of insurance, except as the same may be affected by any table of rates or classification of risks filed by the corporation with the superintendent of insurance.

2. A provision that no statement made by the applicant for insurance, which statement is not incorporated in or indorsed on the policy issued to such applicant, shall avoid the policy or be used in evidence, and no provision of the charter, constitution or by-laws shall be used in defense of any claims arising under

any such policy, unless such provisions are incorporated in full in the policy; but this requirement shall not be deemed to apply to the table of rates or manual of classification of risks of any corporation filed with the superintendent of insurance prior to the date of the occurrence of the injury or commencement of the sickness for which indemnity is claimed.

3. A provision that specifies the time within which notice of accident or disability shall be given, which time shall not be less than twenty days from the date of the accident nor less than ten days from the date of the beginning of the disability from sickness upon which claim is based, provided, however, that in case of accidental death immediate notice thereof may be required, unless the notices herein specified shall be shown not to have been reasonably possible.

4. A provision that notice of a claim for indemnity shall be deemed sufficient when given to the office or agent of the corporation specified in the policy.

5. A provision that, under every such policy, if a past due premium shall be accepted by the corporation or by a branch office or by an authorized agent of the corporation in the city, town or county in which the insured shall reside, or by the duly authorized agent of the corporation who accepted the last premium on the policy, such acceptance shall reinstate the policy in full as to disability resulting from accidental bodily injuries thereafter sustained, but shall only reinstate the policy as to disability from disease beginning more than ten days after the date of such acceptance.

6. A provision that, if the insured is injured or contracts disease after having changed his occupation to one classified by the corporation as more hazardous than that stated in the policy or while he is doing any act or thing pertaining to any occupation so classified (except ordinary duties about his residence or while engaged in recreation) the corporation shall pay such proportion of the indemnities provided in the policy as the premium paid would have purchased at the rate but within the limits fixed by the corporation for such more hazardous occupation according to the corporation's rates and classification of risks filed with the superintendent of insurance prior to the occurrence of the injury or the commencement of the disease for which indemnity is claimed.

7. A provision that the corporation will pay the benefits promised within sixty days of the receipt by it of due proofs of death or disability.

8. A provision that the policy may be cancelled at any time by the corporation by written notice delivered to the insured or mailed to him at his last address as shown by the records of the corporation and the tender of the corporation's check for the unearned portion of the premium, but that such cancellation shall be without prejudice to any claim arising on account of disability commencing prior to the date on which the cancellation takes effect.

9. A provision that no such policy shall limit the time within which proofs of claim shall be furnished to the corporation to a period less than ninety days from the date of death, dismemberment or loss of sight, or from the termination of any other disability.

No such policy insuring against accidental bodily injuries or disease or death shall be so issued or delivered in this state, if it contains, in substance, any of the following provisions:

a. A provision limiting the time within which an action at law or in equity may be commenced to less than one year from the date when the final proof of claim is filed with the corporation.

b. A provision authorizing the deduction of any premium or assessment from any indemnity payable under the terms of the policy, except such premium or assessment as may be due or covered by written order or note at the time of payment of the indemnity.

c. A provision limiting the amount of indemnity to be paid to a sum less than the indemnity as stated in the policy and for which the premium has been paid; provided, however, if the assured shall carry other insurance covering the same hazard, without giving written notice to the companies, corporations or associations issuing the policies, then and in that case each company, corporation or association shall be liable only for such proportionate amount of benefits as the indemnity promised bears to the total amount of indemnity in all the policies covering such hazard and for the return of such part of the premium paid as shall exceed the pro rata of the premium for the benefits paid.

No such corporation, or its agent, shall issue or deliver in this state any policy which conflicts with any provision of this section. A policy issued in violation of this section shall be held valid but shall be construed as provided in this section, and when any provision in such a policy is in conflict with any provision of this section the rights, duties and obligations of the corporation and policy holder and the beneficiary shall be governed by the provisions of this section.

The policies of insurance against accidental bodily injury or disease issued by a corporation not organized under the laws of that state may contain any provision which the law of the state, territory or district of the United States, or of a country outside the United States, under which the corporation is organized prescribes shall be in such policies when issued in this state; and the policies of insurance against accidental bodily injury or disease issued by a corporation organized under the laws of this state may, when issued or delivered in any other state, territory, district or country, contain any provision required by the laws of the state, territory, district or country in which the same are issued, anything in this section to the contrary notwithstanding.

Nothing in this section, however, shall apply to or affect any general or blanket policy of insurance issued to any municipal corporation or department thereof, or to any corporation, copartnership, association or individual employer, police or fire department, underwriters' corps, salvage bureau, or like associations or organizations, where the officers, members or employees or classes or departments thereof are insured against specified accidental bodily injuries or diseases while exposed to the hazards of the occupation or otherwise in consideration of a premium intended to cover the risks of all the persons insured under such policy; nor shall anything in this section apply to or in any way affect contracts supplemental to contracts of life or endowment insurance where such supplemental contracts contain provisions intended to safeguard such life insurance against lapse or provisions with regard to a special surrender value for such contracts of life or endowment insurance, in the event that the insured thereunder shall, by reason of accidental bodily injury or disease, be unable to continue the premium payment thereon; provided that no such supplemental contract shall be issued or delivered in

this state unless and until copies of the form thereof have been submitted to and approved by the superintendent of insurance, under such reasonable rules and regulations as he shall make concerning the provisions in such contracts and their submission to and approval by him.

Any corporation or association to which this section applies, or any officer or agent thereof, which or who issues or delivers in this state, or to any citizen thereof, any accident or health policy or contract in willful violation of the provisions of this section shall be punished by a fine of not more than five hundred dollars for each offense, and the superintendent of insurance may revoke the license of any foreign corporation or agent thereof which or who violates any provision of this section.

§ 2. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 3. This act shall take effect from and after the first day of January, nineteen hundred and eleven; except that the superintendent of insurance shall have power to call for the filing, not later than the first day of September, nineteen hundred and ten, of all the forms and the tables or manuals of rates to be used by any such corporation, in accordance with the terms of this act, on or after the first day of January, nineteen hundred and eleven, and may approve or disapprove any of such forms so filed at any time prior to the last mentioned date.

Chapter 637

AN ACT to amend the insurance law, relative to the purposes for which certain insurance companies may be incorporated.

Became a law June 24, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section seventy of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter three hundred and two

of the laws of nineteen hundred and nine, is hereby amended to read as follows:

§ 70. **Incorporation.** Thirteen or more persons may become a corporation for the purpose of making any of the following kinds of insurance:

1. Upon the lives or the health of persons and every insurance appertaining thereto, and to grant, purchase or dispose of annuities.

2. Against injury, disablement or death resulting from traveling or general accident, and against disablement resulting from sickness and every insurance appertaining thereto.

3. Insuring any one (a) against loss or damage resulting from accident to or injury suffered by an employee or other person, and for which the person insured is liable, and (b) against loss or damage to property caused by horses or by any vehicle drawn by animal power, and for which loss or damage the person insured is liable.

4. Guaranteeing the fidelity of persons holding places of public or private trust. Guaranteeing the performance of contracts other than insurance policies; guaranteeing the performance of insurance contracts where surety bonds are accepted by states or municipalities in lieu of actual deposits; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law required. Guaranteeing and indemnifying merchants, traders and those engaged in business, and giving credit from loss and damage by reason of giving and extending credit to their customers and those dealing with them; and corporations authorized to do such last named business in this subdivision mentioned shall have all the powers conferred by section one hundred and seventy-eight of this chapter.

5. Against loss by burglary or theft, or both.

6. Upon glass against breakage.

7. Upon steam boilers and pipes, fly-wheels, engines and machinery connected therewith or operated thereby, against explosion and accident and against loss or damage to life or property resulting therefrom, and against loss of use and occupancy caused thereby, and to make inspection of and to issue certificates of inspection upon such boilers, pipes, fly-wheels, engines and machinery.

8. Upon the lives of horses, cattle and other live stock.

9. Against loss or damage to automobiles (except loss or damage by fire, or while being transported in any conveyance by land or water), including loss by legal liability for damage to property resulting from the maintenance and use of automobiles.

By making and filing in the office of the superintendent of insurance a certificate signed by each of them, stating their intention to form a corporation for the purpose or purposes named in some one of the foregoing subdivisions specifying the subdivisions; and setting forth a copy of the charter which they propose to adopt, which shall state the name of the proposed corporation, the place where it is to be located, the kind of insurance to be undertaken, and under which of the foregoing subdivisions it is authorized, the mode and manner in which its corporate powers are to be exercised, the manner of electing its directors and officers, a majority of whom shall be citizens and residents of this state, the time of such elections, the manner of filling vacancies, the amount of its capital, if any, and such other particulars as may be necessary to explain and make manifest the objects and purposes of the corporation. Such certificate shall be proved or acknowledged and recorded in a book to be kept for that purpose, and a certified copy thereof delivered to the persons executing the same. A mutual company, without capital stock, may be organized for the purposes, either separately or taken together, specified in the first and second subdivisions of this section. Except as above provided, no such corporation shall be formed under this article for the purpose of undertaking any other kind of insurance than that specified in some one of the foregoing subdivisions, or more kinds of insurance than are specified in a single subdivision; but a corporation other than a mutual corporation may be formed for all the purposes combined, or any two or more of them, specified in the first and second subdivisions and clause (a) of the third subdivision, or for all the purposes combined, or any two or more of them, specified in the second, third, fourth, fifth, sixth, seventh, eighth and ninth subdivisions; provided, however, that policies under subdivision nine shall be issued only by companies authorized to issue policies under subdivisions two, three or five. No corporation or association shall transact, in

connection with any other kind of insurance mentioned in the foregoing subdivisions, the business of guaranteeing and indemnifying merchants, traders and those engaged in business and giving credit from loss and damage by reason of giving and extending credit to their customers and those dealing with them, except such a corporation or association as was authorized to transact such business before June first, nineteen hundred and five; but such a corporation or association may continue to transact such business with all the powers and privileges theretofore possessed or enjoyed by it. No one policy issued by any one corporation shall embrace more kinds of insurance than are specified in one of such subdivisions, except that a policy may embrace risks specified in subdivisions two and clause (a) of subdivision three, and also that companies electing to issue policies under subdivision nine may embrace in one policy risks under subdivision two, clause (a) of subdivision three, and subdivisions five and nine, or either of them.

§ 2. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 3. This act shall take effect on the first day of July, nineteen hundred and ten.

Chapter 638

AN ACT to amend the insurance law, in relation to persons, partnerships or associations engaging in the business of insurance as Lloyds or inter-insurers.

Became a law June 24, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended by adding thereto a new article, to be article ten thereof, to read as follows:

ARTICLE 10.

LLOYDS AND INTER-INSURERS.

Section 300. Application of article.

301. Application, examination and certificate of authority.

302. General provisions affecting Lloyds and inter-insurers.

303. Application of other sections of this chapter.

§ 300. **Application of article.** Notwithstanding the provisions of section fifty-four of this chapter, persons, partnerships or associations which, on October first, eighteen hundred and ninety-two, were lawfully and actually engaged in the business of insurance as Lloyds or inter-insurers or individual underwriters may, after January first, nineteen hundred and eleven, continue to do the business of insurance in this state, provided that such persons, partnerships and associations shall comply with the provisions of this article, but not otherwise. No persons, partnerships or associations other than those specified in this section, and which shall receive the certificate of the superintendent of insurance specified in section three hundred and one of this chapter, shall, after January first, nineteen hundred and eleven, engage in the business of insurance in this state as Lloyds or inter-insurers. Any persons, partnerships or associations which, after January first, nineteen hundred and eleven, shall in this state engage in the business of insurance as Lloyds or inter-insurers, or represent or advertise that they are so engaged, without having been authorized so to do in accordance with the provisions of this article, and any agent, subagent, or representative of any such persons, partnerships, or associations not so authorized to do such business in this state, who shall after January first, nineteen hundred and eleven, in any way represent any such unauthorized persons, partnerships or associations, directly or indirectly, in engaging or attempting to engage in the business of insurance in this state, shall be guilty of a misdemeanor.

§ 301. **Application, examination and certificate of authority.** Not later than August first, nineteen hundred and ten, any per-

sons, partnerships or associations claiming that they were lawfully and actually doing the business of insurance in this state as Lloyds or inter-insurers on October first, eighteen hundred and ninety-two, shall file with the superintendent of insurance, on blanks furnished by him for that purpose, (a) an application for a certificate authorizing the continuance of such business after January first, nineteen hundred and eleven, which application shall specify the kinds of insurance intended to be written after the last mentioned day; (b) a verified statement of the condition of such Lloyds or inter-insurers as of the first day of July, nineteen hundred and ten; (c) an agreement, executed and duly acknowledged by each and every individual underwriter or inter-insurer or his attorney-in-fact duly authorized thereto, providing in substance that personal service of a summons or other legal process in an action against any such Lloyds or inter-insurers, if made upon a person specified in such agreement and resident in the state of New York, shall be equivalent to the personal service within this state of such summons or other process on each and every of such individual underwriters or inter-insurers; and (d) such other matters as the superintendent of insurance may prescribe. Thereafter, and not later than December first, nineteen hundred and ten, the financial condition of and the methods of doing business by the persons, partnerships and associations so applying, shall be examined as provided in section thirty-nine of this chapter. Thereafter, the superintendent of insurance shall grant to such persons, partnerships and associations as shall have complied with the provisions of this article a certificate of authority to conduct the business of insurance in this state on and after January first, nineteen hundred and eleven, which certificate shall be revocable or subject to suspension, if any of such persons, partnerships or associations fail to comply with any or all of the requirements of this chapter applicable thereto, or upon the happening of any event which on January first, nineteen hundred and eleven, would prohibit such persons, partnerships or associations from transacting business in this state as set forth in section three hundred and two. Such certificate shall indicate the kinds of insurance which may be written by such persons, partnerships or associations, provided that the same are not other than

those now or which may hereafter be specified in sections one hundred and ten and one hundred and fifty of this chapter.

§ 302. General provisions affecting Lloyds and inter-insurers.

No such persons, partnerships or associations shall, after January first, nineteen hundred and eleven, engage in the business of insurance in this state as Lloyds or inter-insurers, (a) unless there shall be on file in the office of the superintendent of insurance a copy of the original articles of association, copartnership agreement or inter-insurance contract, together with all amendments thereto, accompanied by an affidavit, verified by an attorney-in-fact, to the effect that it is a true copy, and stating where the principal office of such persons, partnerships or associations so doing such business is located, the kinds of insurance in which it is engaged, or in which it lawfully claims the right to engage, the name under which business is done and the names and post-office addresses of all the underwriters, inter-insurers and attorneys-in-fact so doing business as Lloyds or inter-insurers, which affidavit shall be so verified not earlier than December fifteenth, nineteen hundred and ten; or (b) which shall change the name under which business is done, without first obtaining the written approval of the superintendent of insurance; or (c) which shall establish branches under other or different names or titles; or (d) which shall have a name so similar to that of any other Lloyds or insurance corporation as in the opinion of the superintendent of insurance is calculated to deceive, and any existing Lloyds having such a name may be required to change same by the superintendent of insurance; or (e) which does not maintain at all times, in addition to all outstanding claims and other liabilities, a sum equal to the total unearned premiums on the policies in force, calculated on the gross sum without any deduction on any account, charged to the policyholder on each respective risk from the date of the policy; or (f) which shall not have its assets invested as prescribed by section sixteen of this chapter; or (g) unless each of the underwriters shall be worth in his own right not less than twenty thousand dollars above all liabilities, such fact to be determined by the superintendent of insurance, and in determining same he may take the signed reports of commercial agencies hav-

ing upwards of one hundred thousand subscribers. No such persons, partnerships or associations shall change the location of their principal office for the transaction of business without first filing with the superintendent of insurance the affidavit of an attorney-in-fact stating where such office is to be located, and in no event shall such office be located outside the state of New York. Every change in the underwriters, inter-insurers or attorneys-in-fact, made after the filing of the affidavit previously mentioned in this article, shall be reported to the superintendent of insurance by a written verified statement of an attorney-in-fact within twenty days after the same has been made, which affidavit shall be accompanied by an agreement, executed and duly acknowledged, and binding the new underwriter or underwriters, inter-insurer or inter-insurers to the original agreement between all the underwriters or inter-insurers required to be filed by section three hundred and one of this chapter, with regard to the service of process. The underwriters' liability shall not be included in the statements or reports of such persons, partnerships or associations either as an asset or a liability and any deposit made by an underwriter with any such persons, partnerships or associations, if treated as an asset in any statement or report, shall also be charged as a liability.

§ 303. **Application of other sections *to this chapter.** After January first, nineteen hundred and eleven, sections six, seven, nine, sixteen, twenty, twenty-one, twenty-two, thirty-six, thirty-nine, forty, forty-four, forty-five, forty-six, forty-seven, forty-eight, forty-nine, fifty-three, sixty-three and one hundred and eighteen of this chapter are hereby, to the extent that they are now or hereafter may become applicable to corporations authorized to engage in the business of insurance in this state and specified in sections one hundred and ten and one hundred and fifty of this chapter, made specifically applicable to any persons, partnerships or associations to which this article is applicable, provided that, where any such sections imposes a duty on or prohibits an act by or in any way refers to the officers or directors of any such corporation, such sections, when read in connection with this

* So in original.

article, shall be deemed to mean respectively the duly authorized attorney-in-fact or attorneys-in-fact or the executive, underwriting or managing committee, of such persons, partnerships or associations, and provided, further, that where any of such sections refers to a corporation, the same, when read in connection with this article, shall be deemed to mean the persons, partnerships or associations to which this article is applicable.

§ 2. Section one hundred and twenty-one of such chapter, as amended by chapter one hundred and sixty-eight of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 121. **Standard fire insurance policy to be prescribed and used.** The printed blank form of a contract or policy of fire insurance, with such provisions, agreements or conditions as may be indorsed thereon or added thereto and form a part of such contract or policy heretofore filed in the office of the secretary of state by the superintendent of insurance or by the New York board of fire underwriters pursuant to the provisions of chapter four hundred and eighty-eight of the laws of eighteen hundred and eighty-six, shall be transferred by the secretary of state to the office of superintendent of insurance and, together with such provisions, agreements or conditions as may previous to the thirty-first day of December, nineteen hundred and one, be filed by the New York board of fire underwriters in the office of the superintendent of insurance and approved by him, which provisions, agreements or conditions shall be void if they are inconsistent with the standard fire insurance policy heretofore filed in the office of the secretary of state, shall be known and designated as the standard fire insurance policy of the state of New York. No fire insurance corporation, its officers or agents, shall make, issue, or deliver for use, any fire insurance policy or the renewal of any such policy on property in this state, other than such as shall conform in all particulars as to blanks, size of type, context, provisions, agreements and conditions with such printed blank form of contract or policy; and no other or different provision, agreement, condition or clause shall be in any manner made a part of such contract or policy or indorsed thereon or delivered therewith, except as follows, to-wit:

First. The name of the corporation, its location and place of business, date of its incorporation or organization, whether it is a stock or mutual corporation, the names of its officers, the number and date of the policy, and if issued through a manager or agent the words, "This policy shall not be valid until countersigned by the duly authorized manager or agent of the corporation at"

Second. Printed or written forms of description and specification, or schedules of the property covered by any particular policy, and any other matter necessary to clearly express all the facts and conditions of insurance on any particular risk not inconsistent with or a waiver of any of the conditions or provisions of the standard policy herein provided for.

Third. With the approval of the superintendent of insurance, if the same is not already included in such standard form, any provision which any such corporation is required by law to insert in its policies, not in conflict with the provisions of such standard form. Such provisions shall be printed apart from the other provisions, agreements or conditions of the policy under a separate title as follows: "Provisions required by law to be stated in this policy."

After the first day of January, nineteen hundred and eleven, such policy or contract may be printed, written or typewritten with any size of type or on any size or shape of paper which shall have the written approval of the superintendent of insurance.

The name, with the word "agent" or "agents," and place of business, of any insurance agent or agents, either by writing, printing, stamping or otherwise, may be indorsed on the outside of such policies.

§ 3. Sections fifty-seven, one hundred and forty-two, one hundred and forty-three, and one hundred and sixty-two of such chapter, as well as all acts or parts of acts inconsistent with this act, are hereby repealed.

§ 4. This act, except section three thereof, shall take effect July first, nineteen hundred and ten, and section three shall take effect on January first, nineteen hundred and eleven.

Chapter 668

AN ACT to amend the insurance law, in relation to fire insurance policies written by two or more companies.

Became a law June 25, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section one hundred and twenty-one of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," as amended by chapter two hundred and forty of the laws of nineteen hundred and nine, and as further amended by chapter one hundred and sixty-eight of the laws of nineteen hundred and ten, is hereby amended to read as follows:

§ 121. Standard fire insurance policy to be prescribed and used. The printed blank form of a contract or policy of fire insurance, with such provisions, agreements or conditions as may be indorsed thereon or added thereto and form a part of such contract or policy, heretofore filed in the office of the secretary of state by the superintendent of insurance or by the New York board of fire underwriters pursuant to the provisions of chapter four hundred and eighty-eight of the laws of eighteen hundred and eighty-six, shall be transferred by the secretary of state to the office of the superintendent of insurance and, together with such provisions, agreements or conditions as may previous to the thirty-first day of December, nineteen hundred and one, be filed by the New York board of fire underwriters in the office of the superintendent of insurance and approved by him, which provisions, agreements or conditions shall be void if they are inconsistent with the standard fire insurance policy heretofore filed in the office of the secretary of state, shall be known and designated as the standard fire insurance policy of the state of New York. No fire insurance corporation, its officers or agents, shall make, issue, or deliver for use, any fire insurance policy or the renewal

of any such policy on property in this state, other than such as shall conform in all particulars as to blanks, size of type, context, provisions, agreements and conditions with such printed blank form of contract or policy; and no other or different provision, agreement, condition or clause shall be in any manner made a part of such contract or policy or indorsed thereon or delivered therewith, except as follows, to wit:

First. The name of the corporation, its location and place of business, date of its incorporation or organization, whether it is a stock or mutual corporation, the names of its officers, the number and date of the policy, and if issued through a manager or agent the words "This policy shall not be valid until countersigned by the duly authorized manager or agent of the corporation at"

Second. Printed or written forms of description and specification, or schedules of the property covered by any particular policy, and any other matter necessary to clearly express all the facts and conditions of insurance on any particular risk not inconsistent with or a waiver of any of the conditions or provisions of the standard policy herein provided for.

Third. With the approval of the superintendent of insurance, if the same is not already included in such standard form, any provision which any such corporation is required by law to insert in its policies, not in conflict with the provisions of such standard form. Such provisions shall be printed apart from the other provisions, agreements or conditions of the policy under a separate title as follows: "Provisions required by law to be stated in this policy." After the first day of January, nineteen hundred and eleven, such policy or contract may be printed, written or typewritten with any size of type or on any size or shape of paper which shall have the written approval of the superintendent of insurance. The name, with the word "agent" or "agents," and place of business, of any insurance agent or agents, either by writing, printing, stamping or otherwise, may be indorsed on the outside of such policies. Two or more fire insurance corporations, authorized to transact business in this state, may issue a combination standard form policy, using a distinctive title

therefor, which title shall appear at the head of such policy, followed by the titles of the several corporations obligated thereupon, and which policy shall be executed by the officers of each of such corporations; provided, that before such corporations shall issue such combination policy, they shall have received the express permission of the superintendent of insurance to issue the same, and the title of such proposed policy and the terms of the additional provisions thereof, hereby authorized, shall have been approved by him, which terms, in addition to the provisions of the standard policy and not inconsistent therewith, shall provide substantially under a separate title therein, to be known as "Provisions specially applicable to this combination policy," as follows: (a) That each corporation executing such policy shall be liable for the full amount of any loss or damage, according to the terms of the policy, or a specific percentage thereof; (b) that service of process, or of any notices required by the said policy, upon any of the corporations executing the same shall be deemed to be service upon all; and provided, further, that the unearned premium liability on each policy so issued shall be maintained by each of such corporations on the basis of the liability of each to the insured thereunder.

§ 2. This act shall take effect on the first day of July, nineteen hundred and ten.

Chapter 697

AN ACT to amend article two of the insurance law, so far as the same is applicable to life insurance companies generally.

Became a law June 25, 1910, with the approval of the Governor. Passed, three-fifths being present.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Section seventy-three of chapter thirty-three of the laws of nineteen hundred and nine, entitled "An act in relation to insurance corporations, constituting chapter twenty-eight of the consolidated laws," is hereby amended to read as follows:

§ 73. Special deposits to secure registered policies and annuity bonds. Any domestic life insurance corporation may deposit with the superintendent of insurance securities of the kinds and in addition to the amount now required and authorized by law to be deposited with him, to any amount not less than twenty-five thousand dollars, which shall be legally transferred by it to the super-

intendent for the common benefit of all the holders of its registered policies and annuity bonds issued under the provisions of this article, and he shall hold the same in trust for the purposes and objects specified in this article; provided that no policies shall be registered or annuity bonds issued under the provisions of this section after the thirty-first day of December, nineteen hundred and ten. Such securities shall not be alienated from the purposes of such trust, nor transferred except in the manner provided in this article, and such transfer must be made by the superintendent under his seal of office upon the written application, under its corporate seal, of the corporation making the deposit, or of the receiver of such corporation, and in compliance with the laws of the state relating to such transfers. When such securities shall have been legally transferred to the superintendent, he shall issue to such corporation registered policies of insurance or annuity bonds of such denominations or amounts as the corporation may require. Such policies or bonds shall bear upon the face thereof the words "the reserve on this policy (or bond) is secured by pledge of public stock or bonds and securities" with the seal of the department, and shall be countersigned by the superintendent or his authorized deputy. The corporation shall be charged by the superintendent upon the delivery of such policies or bonds with the amounts of the net value thereof at the end of the policy year, valued according to the provisions of section eighty-four of this chapter, making proper allowances for semi-annual, quarterly or monthly premiums, but in no case shall the amount of securities deposited under the provisions of this section be less than the amount of such aggregate values.

§ 2. Section ninety-six of said chapter is hereby amended to read as follows:

§ 96. Limitation of new business. No domestic life insurance corporation shall issue in any year new policies for a larger amount in the aggregate than as follows, to wit: If the total amount of insurance by said corporation in force on the thirty-first day of December of the preceding year is more than fifty million dollars, and not in excess of one hundred million dollars, not more than thirty per centum thereof; if more than one hundred million dollars, and not in excess of three hundred million dollars, not more than twenty-five per centum thereof; or thirty million dollars, whichever is the larger; if more than three hundred million dollars, and not in excess of six hundred million dollars, not more than twenty per centum thereof; or seventy-five million dollars, whichever is the larger; if more than six hundred million dollars, not more than one hundred and fifty million

dollars, or it may increase its new business over the largest amount issued in any one of the three years immediately preceding in the proportion in respect to said amount which the difference between twenty-five per centum of its net renewal premiums computed according to the bases of mortality and interest assumed in calculating its liabilities, and its total expenses for such preceding year, after deducting from said total expenses, (1) the items of first year expenditure specified in the first sentence of section ninety-seven of this chapter, (2) its actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and (3) taxes on real estate and other outlays exclusively in connection with real estate, bears to said net renewal premiums; provided, that in determining the amount of insurance in force and the amount of new insurance issued, industrial policies issued upon the weekly premium plan and all premiums on such policies and the expenses in connection with such policies, shall be excluded and there shall be included only that insurance upon which the first premium or instalment thereof has actually been received. A foreign life insurance corporation, which shall not conduct its business within the limitation and in accordance with the requirements imposed by this section upon domestic corporation, shall not be permitted to do business within this state.

§ 3. Section ninety-seven of said chapter is hereby amended to read as follows:

§ 97. Limitation of expenses. No domestic life insurance corporation shall in any calendar year, after the year nineteen hundred and six, expend or become liable for, including any and all amounts which any person, firm or corporation is permitted to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, a total amount exceeding in the aggregate (a) the loadings upon the premiums for the first year of insurance received in said calendar year, (calculated on the basis of the American experience table of mortality with interest at the rate of three and one-half per centum per annum) and (b) the present values of the assumed mortality gains for the first five years of insurance on policies in force at the end of said calendar year on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the select and ultimate method of valuation as provided in sec-

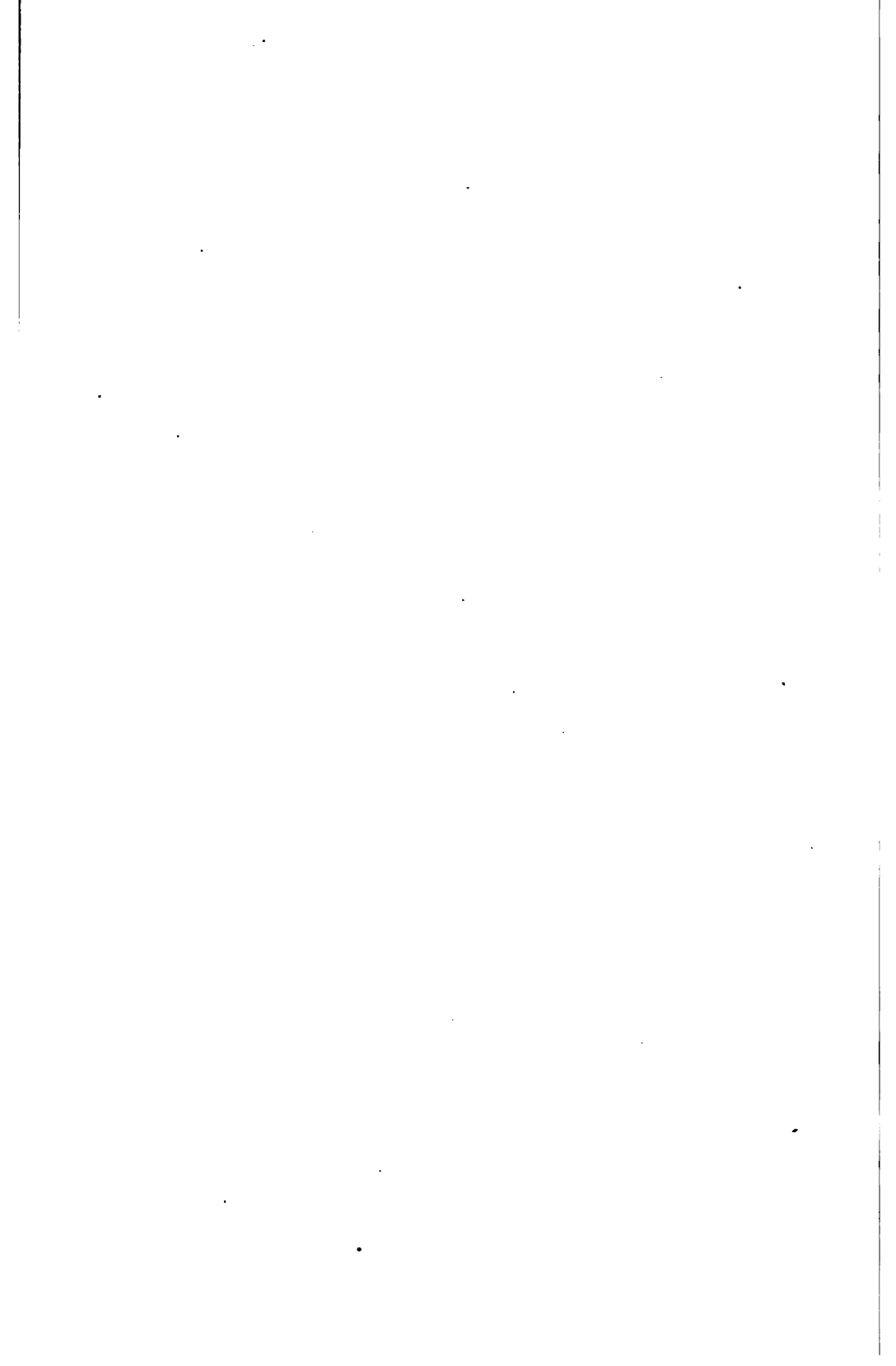
tion eighty-four of this chapter; and (c) on policies issued and terminated in said calendar year the full gross premiums received, less the net cost of the insurance for the time the insurance was in force, computed by the American experience select and ultimate table, three and one-half per centum. No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited. No such corporation shall pay commissions upon renewal premiums received upon policies issued after the year nineteen hundred and six, in excess of five per centum of the premium annually for fourteen years after the first year of insurance in the case of endowment policies providing for less than twenty annual premiums, nor in excess of seven and one-half per centum of the premium annually for the first nine years after the first year of insurance and five per centum of the premium annually for the next ensuing five years in the case of other forms of policies; provided that an amount found to be equivalent to the aggregate amount so payable by a calculation approved by the superintendent of insurance and based upon mortality, interest and lapse rates, may be distributed through three or more years, or through a period exceeding fourteen years, but not more than two-fifths of such amount shall be payable for any one year; provided further that in any agency district subject to the supervision of a local salaried representative the renewal commission payable to agents of such district shall not exceed two-thirds of the foregoing rates annually for fourteen years, subject to the calculation as aforesaid; provided further that any such

corporation may condition the allowance or payment in whole or in part of any of the renewal commissions allowed to be paid as aforesaid upon the efficiency of service of the agent receiving the same or upon the amount and quality of the business renewed under his supervision; and also provided that a fee not exceeding three per centum may be paid for the collection of premiums which shall be received for any year after the fifteenth year of insurance. If any such corporation shall compensate its agents, or any of them, after the first insurance year, in whole or in part, upon any other plan than commissions and collection fees, the aggregate sum so paid shall in no year exceed the limitations herein imposed and the schedule and plan of such compensation shall be submitted to and approved by the superintendent of insurance. No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance. A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the state. This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing non-participating policies exclusively.

§ 4. All acts or parts of acts inconsistent with this act are hereby repealed.

§ 5. This act shall take effect on the first day of July, nineteen hundred and ten.

INSURANCE DECISIONS
BY THE
COURT OF APPEALS



Insurance Decisions by the Court of Appeals

KATE A. BASTIANELLI, Respondent, *v.* SUPREME COUNCIL,
CATHOLIC BENEVOLENT LEGION, Appellant.

Bastianelli *v.* Supreme Council, C. B. L., 125 App. Div. 921,
affirmed.

(Argued April 9, 1909; decided April 27, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered April 29, 1908, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a benefit certificate of life insurance.

R. J. Connolly and John C. McGuire for appellant.

Arthur L. Marvin for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT,
WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

EMANUEL S. KUH, *et al.*, Appellants, *v.* THE BRITISH AMERICA
ASSURANCE COMPANY, Respondent.

Kuh *v.* British America Assur. Co., 130 App. Div. 38,
affirmed.

(Argued April 27, 1909; decided May 11, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered January 8, 1909, which reversed an interlocutory judgment of Special Term overruling a demurrer to the complaint

and sustained such demurrer in an action to recover on a policy of insurance against loss on shipments of merchandise.

The following question was certified: "Does that portion of the plaintiffs' complaint denominated 'For a First Cause of Action' state facts sufficient to constitute a cause of action?"

Stanley Holcomb Molleson for appellants.

Horace L. Cheyney for respondent.

Order affirmed, with costs in all courts, with leave to plaintiffs to serve amended complaint within twenty days after service of interlocutory judgment, on payment of costs. Question certified answered in the negative; no opinion.

Concur: GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER, WILLARD BARTLETT and CHASE JJ.

CHARLES J. BRECK, as Trustee in Bankruptcy of LOUIS C. WHITON, Appellant, Impleaded with Others, v. UNITED STATES TITLE GUARANTEE AND INDEMNITY COMPANY, Respondent, Impleaded with Others.

Breck v. U. S. Title G. & I. Co., 131 App. Div. 903, appeal dismissed.

(Submitted April 28, 1909; decided May 18, 1909.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered March 26, 1909, which granted permission to the respondent herein to serve an amended notice of appeal from a judgment theretofore entered against it.

Clarence R. Freeman for appellant.

Fred W. Buermeyer for respondent.

Appeal dismissed, with costs; no opinion.

Concur: GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ. Absent: CULLEN, Ch. J.

J. W. MATTHEWS AND COMPANY, Respondent, v. THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED, Appellant.

Matthews & Co. v. Employers' Liability Assur. Corp., Ltd., 127 App. Div. 195, affirmed.

(Argued May 13, 1909; decided June 1, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered June 17, 1908, affirming a judgment in favor of plaintiff entered upon the report of a referee in an action to recover upon a policy of fidelity insurance.

John A. Dutton for appellant.

Henry Kohl and Benjamin McClung for respondent.

Judgment affirmed, with costs; no opinion.

Concur: EDWARD T. BARTLETT, HAIGHT, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ. Absent: CULLEN, Ch. J.

DAVID METZGER, Respondent, v. LIFE ASSOCIATION OF AMERICA et al., Appellants.

Metzger v. Life Association of America, 125 App. Div. 921, affirmed.

(Argued May 17, 1909; decided June 1, 1909.)

APPEAL from a judgment entered June 10, 1908, upon an order of the Appellate Division of the Supreme Court in the first judicial department, overruling defendants' exceptions ordered to be heard in the first instance by the Appellate Division, denying a motion for a new trial and directing judgment for plaintiff on the verdict in an action to recover a certain certificate of stock and damages for its detention.

Wilson B. Brice for appellants.

Frederick F. Neuman and James Frank for respondent.

Judgment affirmed, with costs; no opinion.

Concur: GRAY, VANN, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ. Absent: CULLEN, Ch. J.

WILLIAM E. BURKE, Respondent, *v.* THE CONTINENTAL INSURANCE COMPANY OF THE CITY OF NEW YORK, Appellant.

Reported below, 128 App. Div. 391.

(Argued May 31, 1909; decided June 8, 1909.)

MOTION for permission to withdraw an appeal from an order of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 14, 1908, reversing a judgment in favor of defendant entered upon a decision of the court at a Trial Term without a jury and granting a new trial in an action to recover on a policy of fire insurance.

The motion was made upon the ground that the appeal was inadvertently taken, the order of reversal stating that said reversal was "upon the law and the facts."

Ralph S. Kent for motion.

Vernon Cole opposed.

Motion granted upon payment of ten dollars cost of motion and costs up to, but excluding, argument, within twenty days; upon failure to pay such costs within the time named, the appeal is dismissed, with costs.

RICHARD DEEVES AND SON, Respondent, *v.* THE MANHATTAN LIFE INSURANCE COMPANY, Appellant.

(Submitted May 31, 1909; decided June 8, 1909.)

Motion for reargument denied, with ten dollars costs. (See 195 N. Y. 324.)

MOSES MAY, Respondent, *v.* JEAN I. CHARLOUIS, et al., Appellants.

May *v.* Charlouis, 128 App. Div. 127, affirmed.

(Argued May 31, 1909; decided June 15, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the second judicial department, entered October 16, 1908, which affirmed an interlocutory judgment of Special Term overruling a demurrer to the complaint in an action on contract.

The following question was certified: "Does the amended complaint herein state facts sufficient to constitute a cause of action?"

Archibald R. Watson and Raymond D. Thurber for appellants.

Ira Leo Bamberger and Sidney Lowenthal for respondent.

Order affirmed, with costs, and question certified answered in the affirmative; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

FRANK DONLEY, Respondent, *v.* GLENS FALLS INSURANCE COMPANY, Appellant.

Donley *v.* Glens Falls Ins. Co., 126 App. Div. 922, affirmed.
(Argued June 8, 1909; decided October 5, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered June 2, 1908, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a policy of fire insurance.

Hiram R. Wood for appellant.

Calvin J. Huson for respondent.

Judgment affirmed, with costs, on authority of *Donley v. Glens Falls Insurance Company*, (184 N. Y. 107); no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT and CHASE, JJ.

CITY OF MIDDLETOWN, Respondent, *v.* THE ÆTNA INDEMNITY COMPANY OF HARTFORD, CONNECTICUT, Appellant, Impleaded with Others.

City of Middletown *v.* Ætna Indemnity Co., 127 App. Div. 914, affirmed.

(Submitted October 13, 1909; decided October 29, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered June

11, 1908, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a surety bond.

Frank H. Finn for appellant.

Thomas Watts for respondent.

Judgment affirmed, with costs; there being no exception that presents the question of the allowance of interest on the penalty of the bond; no opinion.

CONCUR: CULLEN, Ch. J., EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

JAMES J. HOULIHAN, Respondent, *v.* THE PREFERRED ACCIDENT
INSURANCE COMPANY OF NEW YORK, Appellant

Insurance (accident)—policy must be construed according to plain and ordinary meaning of its terms—insurance against injury “if caused by burning of building.”

When a person takes out a policy of accident insurance he cannot reasonably expect indemnity outside the limitation of his contract; and when that contract expressly specifies the kind of accident which it covers, the rights of the insured and the liability of the insurer are measured by the specification. Where there is no ambiguity there is no occasion for the exercise of choice of interpretation; and the insurance policy is to be construed according to the plain and ordinary meaning of the terms which the parties have employed.

A policy of insurance was issued by defendant to plaintiff in which plaintiff's sister was named as beneficiary. It insured the beneficiary against the effect of external, violent and accidental injury “if caused by the burning of a building while the said person is therein.” The person named as beneficiary was burned to death while alone in her room; the cause or origin of the fire is unknown. Her outcries gave the alarm to the other occupants of the house, and when they reached her the clothing which she wore was almost burned off her and the bed clothes and bedding on her bed were in flames. A quantity of her clothing which hung on the door was also consumed, but the fire was speedily extinguished. The door is described as having been scorched but no portion of the building was burned. Held, that the burning of a building is not the same thing as the burning of articles in a building, and that, under the language of the policy, plaintiff is not entitled to recover.

Houlihan *v.* Preferred Accident Ins Co., 127 App. Div. 630, reversed.

(Argued October 15, 1909; decided November 9, 1909.)

APPEAL from an order of the Appellate division of the Supreme Court in the first judicial department, entered July 10, 1908, re-

versing a judgment in favor of defendant entered upon a verdict directed by the court and granting a new trial.

The order of the Appellate Division should be affirmed and judgment rendered against the appellant, with costs in all courts.

CULLEN, Ch. J., EDWARD T. BARTLETT, HISCOCK and CHASE, JJ., concur with WILLARD BARTLETT, J.; HAIGHT, J., concurs with VANN, J.

Order reversed, etc.

DAMIANO MUSCO, Respondent, v. UNITED SURETY COMPANY,
Appellant.

Constitutional law—validity of chapter 185, Laws of 1907, regulating the taking of deposits for transmission to foreign countries.

Chapter 185 of the Laws of 1907, entitled "An act to regulate the taking of deposits by certain persons, firms and corporations," is constitutional in subjecting to regulation the particular class of persons designated by the statute. The regulation of the business of receiving deposits of money is plainly within the power possessed by the state to regulate the conduct of various pursuits, when necessary for the protection of the public. The statute does not improperly discriminate against the class of persons engaged in selling steamship tickets, who in conjunction with such business carry on the business of receiving deposits of money for future transmission to foreign countries, and in favor of others.

An individual may waive even a constitutional provision for his benefit when no question of public policy or public morals is involved, and where a person, engaged in the business of selling steamship tickets to foreign countries, and desiring to carry on, in conjunction therewith, the business of receiving deposits of money for the purpose of transmitting it to foreign countries, gave, pursuant to chapter 185 of the Laws of 1907, a bond to the People of the state, with a surety, for the faithful holding and transmission of all moneys delivered to him for that purpose, he thereby waived the right to question the constitutionality of the statute, and his surety is estopped from raising that question in an action, thereafter brought against it, upon the principal's defalcation, by those who made deposits on the faith of the undertaking.

The fact that the statute provides that a person, who carries on the business of receiving deposits of money for transmission to foreign countries, without giving such bond shall be guilty of a misdemeanor, does not constitute a duress which relieves the principal and surety who executed the bond in question from the imputation of having voluntarily waived the invalidity, if any, of the statute.

The statute is not unconstitutional as infringing on the exclusive right of Congress to regulate foreign and interstate commerce. Although in a limited degree affecting interstate commerce, it is not for that reason a needless

intrusion upon the Federal jurisdiction or strictly a regulation of interstate commerce, but is to be considered as an ordinary police regulation and, therefore, not invalid.

Musco v. United Surety Co., 132 App. Div. 300, affirmed.

(Argued October 5, 1909; decided November 23, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered May 14, 1909, which reversed a judgment of Special Term overruling a demurrer to the answer and dismissing the complaint and sustained said demurrer.

The following question was certified: "Does the plaintiff's complaint set forth facts sufficient to constitute a cause of action?"

The action was brought to recover on a bond executed by one Ferrara as principal and the appellant as surety pursuant to the provisions of chapter 185 of the Laws of 1907. The complaint in substance among other things alleged the execution of said bond by said principal and surety, whereby they bound themselves in the sum of \$15,000, on the condition that if the said principal should "faithfully and diligently hold and transmit any, and all moneys, or the equivalent thereof which shall be delivered to them for transmission to a foreign country or countries as provided by * * * chapter 185 of the Laws of 1907, and duly account for and promptly pay over all moneys, or the equivalent thereof, received by him as aforesaid, then this obligation to be void;" that between the date of execution of said undertaking and the commencement of this action various people delivered to said Ferrara various sums of money to be transmitted abroad and which he failed to transmit or account for, and the said people thereafter assigned their respective causes of action to the plaintiff. A copy of the undertaking attached to the complaint recites that said principal "is engaged in or is about to engage in the selling of steamship or railroad tickets for transportation to or from foreign countries and in conjunction with said business, carries on or is about to carry on the business of receiving deposits of money for the purpose of transmitting the same, or the equivalent thereof, to foreign countries and is required to make, execute and deliver a bond pursuant to chapter 185 of the Laws of 1907," and it has

been assumed in the argument of this case that said Ferrara was engaged in business as aforesaid, and did come under the provisions of said act.

The appellant by its answer and the respondent by his demurrer thereto have presented the question whether the law requiring the execution of said bond is constitutional and such question is the one really involved in the general question submitted to us whether the complaint sets forth a cause of action.

The order reversing the judgment overruling plaintiff's demurrer should be affirmed, with costs, and the question certified to us answered in the affirmative.

CULLEN, Ch. J., EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT and CHASE, JJ., concur.

Order affirmed.

GIOVANNI GUFFANTI, Suing on Behalf of Himself and Other Creditors of FRANCESCO ZANOLINI, Respondent, v. NATIONAL SURETY COMPANY, Appellant, Impleaded with Another.

Principal and surety—indemnity bonds—bond given by agent receiving money for transmission abroad—parties to action against surety upon agent's default.

This action is brought on a bond given, pursuant to chapter 185 of the Laws of 1907, by a person engaged in selling steamship tickets and receiving deposits of money for transmission to foreign countries, conditioned for the faithful holding and transmission by him of such moneys and the due accounting therefor, which bond was signed by him and the defendant a surety company. The principal in the bond converted the moneys so received by him from a large number of persons and to an amount in excess of the penalty of the bond. The plaintiff brings this action against the surety company, impleaded with the principal, on behalf of himself and all others similarly interested, to prove their rights to participate in the proceeds of the bond, and to compel defendant to pay over such proceeds pro rata to himself and such other persons as may become parties and exhibit and prove their claims. Held, that as the bond is for the benefit of every person who deposited money with such agent, the court will exercise its equitable powers to prevent the amount of the penalty thereof being paid to some of the persons defrauded to the exclusion of others equally entitled to payment therefrom, that the facts stated in the complaint constitute a cause of action, and that the action was properly brought by plaintiff on behalf of himself and all others similarly situated.

Guffanti v. Nat. Surety Co., 133 App. Div. 610, affirmed.

(Argued October 6, 1909; decided November 23, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered July 13, 1909, which reversed an interlocutory judgment of Special Term sustaining a demurrer to the complaint.

The following questions were certified:

"1. Does the plaintiff's complaint, upon the face thereof, state facts sufficient to constitute a cause of action?"

"2. Should the demurrer of the defendant National Surety Company be sustained upon the ground that the plaintiff cannot maintain this action as a suit in equity for the purpose of enforcing the payment of the amount claimed to be due him?"

"3. Should the demurrer of the defendant National Surety Company be sustained upon the ground that the plaintiff cannot maintain this action as a class action on behalf of himself, and all other similarly situated creditors of the defendant Francesco Zanolini?"

The order should be affirmed, with costs, and the first question certified should be answered in the affirmative, and the other two in the negative.

CULLEN, Ch. J., EDWARD S. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT and HISCOCK, JJ., concur.

PIETRO BENVEGNA, Respondent, *v.* UNITED SURETY COMPANY,
Appellant.

Benvegna *v.* United Surety Co., 132 App. Div. 925, affirmed.
(Argued October 5, 1909; decided November 23, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered May 14, 1909, which reversed a judgment of Special Term overruling a demurrer to the answer and dismissing the complaint in an action to recover upon a surety bond.

The following question was certified: "Does the plaintiff's complaint set forth facts sufficient to constitute a cause of action?"

Edwin Blumenstiel for appellant.

Nelson L. Keach for respondent.

Order affirmed, with costs; question certified answered in the affirmative on opinion in case of *Musco v. United Surety Co.* (196 N. Y. 459).

Concur: CULLEN, Ch. J., EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

MICHAEL DOWDALL, Appellant, *v.* SUPREME COUNCIL OF THE CATHOLIC MUTUAL BENEFIT ASSOCIATION, Respondent.

Insurance (life)—mutual benefit associations—association cannot change constitutional provision that beneficiary shall be assessed according to age, when admitted, without his consent.

The defendant, a mutual benefit life insurance association, issued to plaintiff a certificate of membership therein, upon the condition that he should "in every particular while a member of said association comply with all the laws, rules and requirements thereof." Plaintiff also received a printed book containing the constitution and by-laws of defendant. One of the articles of the constitution provided in substance that all members should be assessed according to their age when admitted. The question presented is whether, by subsequent amendment of the constitution or any of the rules or regulations made after the issue of the certificate, defendant may increase the rate of a single assessment against plaintiff. Held, that the covenant on the part of plaintiff that he would comply with all the laws, rules and requirements of the association refers only to such as existed at the time he entered into his contract, and that any changes or alterations thereafter made therein, or additions thereto, seeking to modify or alter said contract do not bind him.

Dowdall v. Catholic Mut. Benefit Asso., 123 App. Div. 913, reversed.

(Argued October 22, 1909; decided November 23, 1909.)

APPEAL from an order of the Appellate Division of the Supreme Court in the fourth judicial department, entered January 8, 1908, reversing a judgment in favor of plaintiff entered upon a decision of the court on trial at Special Term and granting a new trial.

The judgment and order of the Appellate Division should be reversed and the judgment of the Special Term affirmed, with costs to the plaintiff in both courts.

CULLEN, Ch. J., HAIGHT, WERNER, WILLARD BARTLETT and HISCOCK, JJ., concur; GRAY, J., concurs in result.

Judgment and order reversed, etc.

DENNIS L. WRIGHT, Appellant, *v.* THE KNIGHTS OF THE MAC-
CABEES OF THE WORLD, Respondent.

Insurance (life)—mutual benefit associations—amendments to constitution or by-laws, which nullify or cut down benefits to which a beneficiary has become entitled under his contract, are void and of no effect even where the right to amend has been expressly reserved.

The defendant, a mutual fraternal benefit association, issued to plaintiff a certificate of insurance providing that upon his death an assessment upon the membership should be paid to the person therein named, upon the proviso that plaintiff shall have "in every particular complied with the laws of the order in force or that may hereafter be adopted." Plaintiff's application provided among other things that the laws of the order "now in force or that may hereafter be adopted shall form the basis of this contract;" that neglect to pay an assessment or dues fixed by said laws should vitiate the certificate; that the laws of the order "now in force or that may hereafter be adopted are made part of the contract," and that he agrees to conform to and be governed thereby.

The contract between the parties consisted of the application, certificate and the by-laws in force when the certificate was issued. Seven years after the contract was made, the by-laws were changed by the defendant, without the consent of the plaintiff, so as (1) to increase the monthly assessments and to require a per capita tax together with a fraternal tax, the provision for additional assessment being still continued in force; (2) to abolish the right of a member, upon reaching the age of seventy years, to relief from the payment of any further dues or assessments; (3) to abolish the right of a member on reaching that age to receive annually one-tenth of the sum named in his certificate; and (4) to so modify the disability clause as to entitle a member to the benefit of the annual payment of one-tenth, only in case he should continue to pay precisely the same as if he had not become disabled, and even to continue to pay after he had received the full amount called for by his certificate. Plaintiff, having declined to pay the increased rates under such amendments, was suspended by defendant, which suspension involved the forfeiture of his right to participate in the benefit fund, and this action is brought by him for reinstatement. Held, that benefits cannot be reduced or new conditions forfeiting benefits added, by an amendment to

the by-laws even when the general right to amend is expressly reserved. Hence, the amendments which assume to cut down the benefits to which plaintiff became entitled by his contract are void and of no effect.

Since the plaintiff entered into the contract on the faith of the promise by the association that he should "pay the same rate hereafter so long as he remains in good standing in the order," which he had the right to assume to be a covenant not to increase the rate, his right to pay at the old rate was a vested right, immune from change by amendment in the absence of a specific reservation to amend in that particular. The increase in the rate of assessment falls under the same condemnation of the law as a reduction in the amount of benefits.

Wright v. Knights of Maccabees, 128 App. Div. 883, reversed.

(Argued October 28, 1909; decided November 23, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered September 25, 1908, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court on trial at Special Term.

The judgment should be reversed and a new trial granted, with costs to abide event.

CULLEN, Ch. J., GRAY, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ., concur.

MARY BLOOMER, Respondent, v. THE ST. PAUL FIRE AND MARINE INSURANCE COMPANY, Appellant.

Bloomer v. St. Paul Fire & Marine Ins. Co., 127 App. Div. 919, affirmed.

(Argued November 19, 1909; decided December 7, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered June 18, 1908, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a policy of fire insurance.

Sydney H. Palmer and Solomon J. Rosenblum for appellant.

Nathan P. Bushnell for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, WERNER, WILLARD BARTLETT and CHASE, JJ.

MARY A. KRAUS et al., as Executors of MARY MOEST, Appellants,
v. CONTINENTAL CASUALTY COMPANY, Respondent.

Moest v. Continental Casualty Co., 122 App. Div. 897, affirmed.
Argued November 23, 1909; decided December 7, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 22, 1907, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at an Equity Term in an action to recover upon a policy of accident insurance.

Ford White for appellants.

Walter S. Jenkins and Manton Maverick for respondent.

Judgment affirmed, with costs, on the ground that the action was brought too late; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and CHASE, JJ.

GEORGE JOLLEY, Respondent, v. THE HARTFORD FIRE INSURANCE COMPANY, Appellant.

Jolley v. Hartford Fire Ins. Co., 122 App. Div. 895, affirmed.
(Argued December 1, 1909; decided December 17, 1909.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 18, 1907, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a policy of fire insurance and for conversion.

Daniel V. Murphy for appellant.

Vernon Cole and Moses Shire for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

CLARA SCHUMACHER, Respondent, v. GREAT EASTERN CASUALTY
AND INDEMNITY COMPANY OF NEW YORK, Appellant.

Insurance (accident)—when policy construed strictly against insurer—when beneficiary entitled to recover one-half of principal sum of policy, under separate and independent paragraph thereof, for death of insured from cause named in such paragraph.

When a policy is written by the insurer, and it has the choice of language in stating the contract, it must be held to the rule, common in construing all contracts, by which the terms thereof are construed strictly against the person whose language is used in expressing it.

The defendant by its policy insured against "the effects of bodily injuries caused directly and independently of all other causes by external, violent and accidental means, which bodily injuries or their effects shall not be caused, wholly or in part, directly or indirectly, by any bodily or mental disease, defect or infirmity," for loss of life, loss of both eyes, and other specified injuries or losses stated separately and independently when "resulting from such injuries alone." A subsequent and independent paragraph is as follows: "For loss of life only resulting wholly or in part from * * * septicæmia, * * * the company will pay one-half of the principal sum" theretofore mentioned. The person whose life was insured died from septicæmia.

Held, that the latter paragraph is not only separate and independent in form, as stated in the policy, but that the defendant's intent and purpose in making it a part of the contract requires that it be construed separately and independently of the prior provisions thereof; that it does not refer to preceding general provisions as to external, violent and accidental means, but is an agreement for a reduced payment in all cases of death of the insured resulting wholly or in part from the causes specified in such separate and independent paragraph.

Schumacher v. Great Eastern Casualty & Indemnity Co., 132 App. Div. 929, affirmed.

(Submitted December 10, 1909; decided December 17, 1909.)

APPEAL, by permission, from an order of the Appellate Division of the Supreme Court in the first judicial department, entered May 28, 1909, which affirmed an interlocutory judgment of Special Term overruling a demurrer to the complaint.

The following question was certified: "Does the complaint state facts sufficient to constitute a cause of action?" The nature of the action and the allegations, so far as material, are stated in the opinion.

The order should be affirmed with costs, and the question certified answered in the affirmative.

CULLEN, Ch. J., HAIGHT, VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ., concur.

Order affirmed.

JAMES J. HOULIHAN, Respondent, v. THE PREFERRED ACCIDENT INSURANCE COMPANY OF NEW YORK, Appellant.

(Submitted December 13, 1909; decided December 17, 1909.)

Motion for re-argument denied, with ten dollars costs. (See 196 N. Y. 337.)

J. QUINTUS COHEN, as Trustee of the Estate of JOHN T. LEE, a Bankrupt, Respondent, v. AMERICAN SURETY COMPANY OF NEW YORK, Appellant.

Cohen v. American Surety Co., 132 App. Div. 917, affirmed.

(Argued December 14, 1909; decided January 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered May 14, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action by the plaintiff as trustee in bankruptcy to recover from the surety on the bond of a previously appointed assignee for the benefit of creditors of said bankrupt a certain sum adjudged to be due from said assignee to said trustee in accounting proceedings in the United States District Court.

Charles M. Demond and Henry C. Willcox for appellant.

Michael Kirtland for respondent.

Per Curiam. The judgment is affirmed, with costs, upon the authority of our previous decision in the same case. (192 N. Y. 227.) The proof now establishes that the defendant had notice of the taking of the assignee's account in the United States District Court, and was given an opportunity to be heard therein, by the service of a summons of the special commissioner appointed by that court to take and state the account, which was sufficient of itself, or, even, within the rules of practice applicable to such proceedings in the Federal courts. (See Gen. Order in Bankruptcy, No. 37, and Rules of Practice for the Courts of Equity of the United States, Nos. 74 and 75.)

CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, VANN, WILLARD BARTLETT, HISCOCK and CHASE, JJ., concur.

Judgment affirmed.

HARRIET ARNOLD, Appellant, *v.* FARMERS' FIRE INSURANCE ASSOCIATION OF THE TOWNS OF GREENVILLE AND DURHAM, IN THE COUNTY OF GREENE, AND WESTERLO AND RENSSELAERVILLE, IN THE COUNTY OF ALBANY, Respondent.

Arnold *v.* Farmers' Fire Ins. Assn., 116 App. Div. 60, affirmed.
(Submitted December 7, 1909; decided January 4, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the third judicial department, entered December 18, 1906, which reversed a judgment in favor of plaintiff entered upon a verdict in an action to reform a policy of fire insurance and to recover upon the policy as reformed.

Amasa J. Parker, Jr., for appellant.

Danforth E. Ainsworth and George L. Rivenburgh for respondent.

Order affirmed and judgment absolute ordered against appellant on the stipulation, with costs in all courts; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ.

MAYNARD N. CLEMENT, as State Commissioner of Excise, Respondent, *v.* CLARENCE VOGEL, Defendant, and THE FIDELITY AND CASUALTY COMPANY OF NEW YORK, Appellant.

Clement *v.* Vogel, 132 App. Div. 947, affirmed.
(Argued December 6, 1909; decided January 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered May 29, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court and an order denying a motion for a new trial in an action to recover upon a liquor tax bond.

Charles Newton for appellant.

Daniel A. Reed and Russel Headley for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER and WILLARD BARTLETT, JJ. Dissenting: HISCOCK, J.

MAYNARD N. CLEMENT, as State Commissioner of Excise, Respondent, *v.* BERNARD W. CURTIS, Defendant, and AMERICAN FIDELITY COMPANY, Appellant.

Clement *v.* Curtis, 129 App. Div. 934, affirmed.

(Argued December 7, 1909; decided January 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered January 21, 1909, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a liquor tax bond.

Charles Newton for appellant.

Daniel A. Reed and Russel Headley for respondents.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ.

MAYNARD N. CLEMENT, as State Commissioner of Excise, Respondent, *v.* THE EMPIRE STATE SURETY COMPANY, Appellant, Impleaded with Another.

Clement *v.* Empire State Surety Co., 134 App. Div. 910, affirmed.

(Submitted December 7, 1909; decided January 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered July 21, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a liquor tax bond.

Hugo Hirsch and Ferd W. Buermeyer for appellant.

Royal R. Scott and Russel Headley for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, HAIGHT, VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ.

MORGAN B. GARLOCK, as Receiver of the HOLBROOK INSOLE COMPANY, Respondent, v. FIRE ASSOCIATION OF PHILADALPHIA, Appellant.

Garlock v. Fire Association of Philadelphia, 131 App. Div. 925, affirmed.

(Argued December 14, 1909; decided January 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered March 31, 1909, modifying and affirming as modified a judgment in favor of plaintiff entered upon a verdict and affirming an order denying a motion for a new trial in an action to recover upon a policy of fire insurance.

Ralph S. Kent for appellant.

Eugene M. Bartlett for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, VANN, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

THE TRAVELLERS INSURANCE COMPANY, Respondent, v. WILLIAM H. HOTCHKISS, as Superintendent of Insurance of the State of New York, Appellant.

Travelers' Ins. Co. v. Kelsey, 134 App. Div. 89, affirmed.

(Argued January 10, 1910; decided January 25, 1910.)

APPEAL from a judgment entered September 17, 1909, upon an order of the Appellate Division of the Supreme Court in the third judicial department, which reversed an interlocutory judgment of Special Term sustaining a demurrer to the complaint and directed final judgment in favor of plaintiff in an action to restrain the defendant from revoking a certificate authorizing the plaintiff, a foreign corporation, to transact the business of life insurance in the state of New York.

Edward R. O'Malley, Attorney-General (Edward H. Letchworth of counsel), for appellant.

Murray Downs and William Brosmith for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

EMMA A. TAYLOR, as Executrix of ROYAL A. JOHNSON, Deceased,
Respondent, v. NEW YORK LIFE INSURANCE COMPANY, Appel-
lant.

Insurance (life) — surrender value of lapsed policy — effect of failure to pay premium note.

A policy of life insurance provided that in case of the failure of the insured to pay a premium after the policy had been in force three full years it should be continued for its full amount, as provided in a table which was made a part of the policy or for a reduced amount of paid-up insurance, as also provided by said table. The table was headed "Table of guarantees, if payment of premiums is discontinued. Provided there is no indebtedness against this Policy. (Pursuant to the Insurance Law (Chapter 690, Laws of 1892) of the State of New York.)" It provided for continued insurance until October 20, 1906, if premiums are paid to December 20, 1898, and until June 20, 1911, if premiums are paid to December 20, 1899. The insured paid the premiums thereon for three years. A note was given and accepted for the premium due December 20, 1898. Thereafter he wholly defaulted in his obligations to the insurer and died October 21, 1906. Held, that the policy, including the table therein, was intended as a compliance with said statute; that as the statute requires the insurer to give continued insurance for an amount computed as therein directed "after deducting any indebtedness of the insured" the insurer rightfully deducted the amount due on the note of the insured in computing the time for which the insured was entitled to continued insurance, and as the time so computed expired prior to the death of the insured his personal representative is not entitled to recover the full amount of the policy.

Taylor v. N. Y. Life Ins. Co., 131 App. Div. 922, reversed.

(Argued January 7, 1910; decided January 25, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered March

9, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court.

The judgment should be reversed and a new trial granted, with costs to abide the result.

CULLEN, Ch. J., VANN, WERNER, WILLARD BARTLETT and HISCOCK, JJ., concur; EDWARD T. BARTLETT, J., absent.

Judgment reversed, etc.

SUSAN M. MORGAN et al., as Trustees under the will of DAYTON S. MORGAN, Deceased, Respondents, *v.* THE MUTUAL BENEFIT LIFE INSURANCE COMPANY, Appellant, Impleaded with Others.

Morgan v. Mutual Benefit Life Ins. Co., 132 App. Div. 455, affirmed.

(Argued January 28, 1910; decided February 8, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered May 10, 1909, affirming a judgment in favor of plaintiffs entered upon a decision of the court on trial at Special Term and dismissing appeals from orders directing service of the summons by publication upon defendants other than the appellant herein in an action to establish a right to the amount due upon a policy of life insurance and to recover the same.

Louis L. Babcock for appellant.

Joseph H. Morey for respondents.

Judgment affirmed, with costs. Held, the rights of the non-resident defendants, under the provisions of the Constitution of the United States, were not violated by making the orders of publication herein, dated November 13, 1905, and June 4, 1906, and by the courts of this state exercising jurisdiction over said defendants upon the service of the summons herein upon them pursuant to such orders; no opinion.

Concur: CULLEN, Ch. J., GRAY, HAIGHT, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

ALICE W. SMITH, as Administratrix of the Estate of CLARK M. SMITH, Deceased, Respondent, v. UNITED STATES CASUALTY COMPANY, Appellant.

Change of name — when name may be lawfully changed without application to the court.

A man may legally name himself, or acquire a name by reputation, general usage and habit. At common law a man can change his name in good faith and for an honest purpose by adopting a new one and transacting his business and holding himself out to his friends and acquaintances thereunder, with their acquiescence and recognition.

Semble, the statute authorizing a change of name may limit the common-law right, in that it provides that on and after the day specified in the order of the court for the change to take effect the applicant shall "be known by the name which is thereby authorized to be assumed, and by no other name." (Code Civ. Pro. § 2415.) It may well be, therefore, that after a man has acquired a name by judicial decree he cannot acquire another without resorting to the courts.

Where a policy of accident insurance was issued to a man by the name under which he had for a period of nine years, just after reaching his majority and up to the issuing of the policy, almost uniformly carried on his business, held himself out and been known and addressed by, it was not error, in an action to recover on the policy, for the court to charge in substance that if the insured assumed and acquired the name under which he was insured and called himself by that name, so that he had thoroughly adopted it to such an extent that the jury could find it was his intention to be known by and retain that name, his representation in the application would not be false, but that if he intended to conceal his real name and identity by giving that name knowing it to be false, then no recovery could he had.

The authorities on the subject of the origin and evolution of names of persons, and the right to change of name by an individual, collated and considered. *Smith v. United States Casualty Co.*, 131 App. Div. 918, affirmed.

(Argued January 18, 1910; decided February 8, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered March 13, 1909, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial.

The action was brought to recover the sum of \$5,000, the amount of an accident insurance policy, upon the allegation that the insured was killed by the accidental discharge of a gun while hunting. The defendant pleaded a breach of warranty and other defenses.

The other questions discussed by counsel have also been examined, but we find none requiring reversal and the judgment should, therefore, be affirmed, with costs.

CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, WILLARD BARTLETT and CHASE, JJ., concur.

Judgment affirmed.

DENNIS L. WRIGHT, Appellant, *v.* THE KNIGHTS OF THE
MACCABEES OF THE WORLD, Respondent.

(Submitted February 7, 1910; decided February 15, 1910.)

MOTION for reargument denied, with ten dollars costs. (See 196 N. Y. 391.)

JOHN T. MCGOVERN, as Executor of CATHERINE MCGOVERN,
Deceased, Respondent, *v.* SUPREME COUNCIL, CATHOLIC
BENEVOLENT LEGION, Appellant.

McGovern *v.* Supreme Council, C. B. L., 134 App. Div. 686,
appeal dismissed.

(Submitted February 7, 1910; decided February 15, 1910.)

MOTION to dismiss an appeal from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered December 1, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a policy of life insurance.

The motion was made upon the grounds that the appeal was frivolous, unwarranted and interposed for delay.

John T. McGovern for motion.

John C. McGuire opposed.

Motion granted and appeal dismissed, with costs and ten dollars costs of motion.

MICHAEL DOWDALL, Appellant, *v.* SUPREME COUNCIL OF THE
CATHOLIC MUTUAL BENEFIT ASSOCIATION, Respondent.

(Submitted February 14, 1910; decided February 22, 1910.)

Motion for reargument denied, with ten dollars costs. (See
196 N. Y. 405.)

MARGARET WOULFE, Respondent, *v.* MODERN WOODMEN OF
AMERICA, Appellant.

Woulfe *v.* Modern Woodmen of America, 128 App. Div. 911,
affirmed.

(Argued February 16, 1910; decided March 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered October 20, 1908, affirming a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial in an action to recover upon a certificate of life insurance.

J. D. Enright and Benjamin D. Smith for appellant.

Stewart F. Hancock for respondent.

Judgment affirmed, with costs, no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT,
HAIGHT, VANN, WERNER and HISCOCK, JJ.

CORNELIUS W. STRAIT, Respondent, *v.* PROTECTED HOME CIRCLE,
Appellant.

Strait *v.* Protected Home Circle, 128 App. Div. 882, affirmed.
(Argued February 16, 1910; decided March 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the third judicial department, entered November 16, 1908, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term, a jury having

been waived, in an action to recover upon a policy of life insurance.

B. T. Wright for appellant.

Irving H. Palmer for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

ADOLPH G. HUPFEL, Transacting Business as A. HUPFEL'S SONS, Appellant, *v.* BOSTON INSURANCE COMPANY, Respondent.

Hupfel *v.* Boston Ins. Co., 128 App. Div. 925, affirmed.

(Argued February 17, 1910; decided March 4, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 16, 1908, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term in an action to recover upon a policy of fire insurance.

Abraham Benedict for appellant.

Dickinson W. Richards and Ward D. Williams for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

AUGUSTUS C. BEDELL, Respondent, *v.* THE EMPIRE STATE SURETY COMPANY, Appellant.

Bedell *v.* Empire State Surety Co., 129 App. Div. 890, affirmed.

(Argued February 21, 1910; decided March 15, 1910.)

APPEAL from a judgment entered December 16, 1908, upon an order of the Appellate Division of the Supreme Court in the second judicial department, overruling defendant's exception ordered to be heard in the first instance by the Appellate Division

and directing judgment for plaintiff upon the verdict as directed by the trial court in an action to recover upon a fidelity bond.

Ferdinand W. Buermeyer for appellant.

Clarence McMillan and Richard B. Aldcroftt, Jr., for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT and CHASE, JJ.

JOHN F. TOLSON, Respondent, *v.* NATIONAL PROVIDENT UNION,
Appellant.

Tolson *v.* National Provident Union, 130 App. Div. 884, affirmed.

(Argued February 23, 1910; decided March 15, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second judicial department, entered January 11, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court and an order denying a motion for a new trial in an action to recover upon a certificate of life insurance.

Edward S. Peck for appellant.

Alva Collins for respondent.

Judgment affirmed, with costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WILLARD BARTLETT and CHASE, JJ.

EDGAR ROBINSON, Appellant, *v.* INSURANCE COMPANY OF NORTH AMERICA, Respondent.

Appeal — when reversal by the Appellate Division upon the law unwarranted. The evidence and exceptions, on the trial of an action to recover on a policy of fire insurance for damage to a vessel, examined and held, not to warrant a reversal by the Appellate Division upon the law.

Robinson *v.* Insurance Co. of North America, 129 App. Div. 1, reversed.

(Argued February 22, 1910; decided March 15, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the second judicial department, entered November

27, 1908, which reversed a judgment in favor of plaintiff entered upon a verdict and an order denying a motion for a new trial and granted a new trial.

Arnold Charles Weil and Walter S. Newhouse for appellant.

William Harrison and Lawrence Kneeland for respondent.

The order of the Appellate Division should be reversed, and the judgment entered upon the verdict affirmed, with costs in both courts.

CULLEN, Ch. J., EDWARD T. BARTLETT, VANN, WILLARD BARTLETT and CHASE, JJ., concur; GRAY, J., dissents.

Order reversed, etc.

JOSEPH C. COHEN, Appellant, v. SUN INSURANCE OFFICE,
Respondent.

Evidence — books of account — action to recover upon a fire insurance policy — erroneous refusal to allow plaintiff to refresh his recollection of items from stock book.

In an action to recover upon a fire insurance policy plaintiff, who testified that most of his books of account were destroyed by fire, and that he could not remember the details of his stock, was not allowed to refresh his recollection from his stock book, memorandum of sales previous to the trial or from an inventory taken before the fire, nor to state approximately quantities of the various items on hand at the time of the loss, the object of the excluded evidence being to establish approximately the stock on hand at the date of the fire, which occurred in April, by working from the inventory of the stock on hand in the previous January as a basis, adding thereto purchases up to the time of the fire and deducting therefrom the amount of the sales. **Held, error.**

Cohen v. Sun Ins. Office, 128 App. Div. 925, reversed.

(Submitted February 16, 1910; decided March 15, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 12, 1908, affirming a judgment in favor of defendant entered upon a verdict and an order denying a motion for a new trial.

The judgment should be reversed and new trial granted, costs to abide the event.

GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ., concur.

Judgment reversed, etc.

BUFFALO COMMERCIAL INSURANCE COMPANY, Appellant and Respondent, v. EUGENE A. GEORGER et al., Appellants, and J. HENRIETTA HOFFELD, as Executrix of RUDOLPH HOFFELD, Deceased, et al., Respondents.

Buffalo Commercial Ins. Co. v. Georger, 128 App. Div. 914, affirmed.

(Argued February 25, 1910; decided March 15, 1910.)

CROSS-APPEALS from a judgment of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 24, 1908, which affirmed a judgment in favor of plaintiff against defendants, appellants, and dismissing the complaint as to the defendants, respondents, entered upon a decision of the court at a Trial Term without a jury in an action to recover upon a contract of guaranty.

Edward R. O'Malley and Fred Grenier for plaintiff, appellant and respondent.

Louis L. Babcock, Robert F. Schelling and Charles P. Norton for defendants, appellants.

Charles M. Harrington, John C. Hubbell and H. B. Van Peyma for defendants, respondents.

Judgment affirmed, without costs; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, WILLARD BARTLETT and CHASE, JJ. Not sitting: HAIGHT, J. Absent: VANN, J.

CARRIE LOEB et al., Appellants, v. SUPREME LODGE OF THE ROYAL ARCANUM, Respondent.

Equity — when action must be maintained upon equitable grounds or fail — benefit associations — when complaint, in action to set aside an acknowledgment of suspension of membership, properly dismissed.

If a party brings an equitable action even now, when the same court administers both systems of law and equity, the party must maintain his equitable action upon equitable grounds or fail, even though he may prove a good cause of action at law on the trial.

The beneficiaries in a certificate issued by a fraternal beneficiary society brought a suit praying for a decree in equity setting aside a declaration and acknowledgment made by the person to whom the certificate was issued, of his suspension from membership and his application for reinstatement as a

member, on the ground that the said suspension and all proceedings thereon were unjust, unlawful, illegal and contrary to the laws and constitution of the defendant and the agreement entered into between such person and the defendant. The complaint also alleged payment of the assessment, non-payment of which was one of the grounds for the suspension directed by the society. The answer, among other things, denied tender of the amount due upon the assessment and alleged that by reason of the failure to comply with its rules and regulations, the person named in the certificate was suspended from the order. Plaintiffs on the trial confined their proofs to the question whether there had been a payment of the assessment. Held, that this did not narrow the issues involved in the litigation; that the issues presented are not such as can be tried on the law side of the court and that the complaint was properly dismissed for failure to prove the cause of action in equity therein alleged.

Loeb v. Royal Arcanum, 126 App. Div. 951, affirmed.

(Argued February 15, 1910; decided March 22, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered June 28, 1908, affirming a judgment in favor of defendant entered upon a dismissal of the complaint by the court on trial at Special Term.

The judgment should, therefore, be reversed and a new trial ordered, with costs to abide the event.

GRAY, VANN and WEENER, JJ., concur with EDWARD T. BARTLETT, J.; CULLEN, Ch. J., and HISCOCK, J., concur with HAIGHT, J.

Judgment affirmed.

In the Matter of the Application of WILLIAM H. HOTCHKISS, as Superintendent of Insurance of the State of New York, Respondent, *v.* CHARLES F. MITCHELL et al., Appellants.

Matter of Hotchkiss, 135 App. Div. 916, appeal dismissed.
(Submitted March 15, 1910; decided March 29, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered December

7, 1909, which affirmed an order of Special Term authorizing the petitioner to take possession of the property and conduct the business of the Garfield Assurance Fire Lloyds, an unincorporated association, on the grounds that it was insolvent, its reserve impaired, that it had neglected to maintain the reserve required by law and that its further transaction of business would be hazardous to its policyholders and the public.

William A. Walling for appellants.

Edward R. O'Malley, Attorney-General (Amos H. Stephens of counsel), for respondent.

Appeal dismissed, with costs, on the ground that the order appealed from is not a final order; no opinion.

Concur: CULLEN, Ch. J., HAIGHT, VANN, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

EDWARD MILLER, Respondent, *v.* STAR FIRE INSURANCE COMPANY OF LOUISVILLE, KENTUCKY, Appellant.

Miller *v.* Star Fire Ins. Co., 128 App. Div. 894, affirmed.
(Argued March 22, 1910; decided April 5, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the second Judicial Department, entered October 21, 1908, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover upon a policy of fire insurance.

William B. Ellison and Arnold L. Davis for appellant.

Melville J. France, Sydney H. Palmer and Elias Rosenthal for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

**THE ARLINGTON COMPANY, Appellant, v. THE EMPIRE CITY FIRE
INSURANCE COMPANY, Respondent.**

Arlington Co. v. Empire City Fire Ins. Co., 131 App. Div. 898, reversed.

(Argued March 22, 1910; decided April 5, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered March 13, 1909, affirming a judgment in favor of defendant entered upon a verdict by the court in an action to recover upon a policy of fire insurance.

George Richards for appellant.

William B. Ellison and Arnold L. Davis for respondent.

Judgment reversed and new trial granted, costs to abide event, on the authority of *Arlington Co. v. Colonial Assurance Co.* (180 N. Y. 337); no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

**MELVIN D. TUCKER et al., Appellants, v. THE SUPREME TENT
OF THE KNIGHTS OF THE MACABEES OF THE WORLD, Respondent.**

Tucker v. Supreme Tent K. of M., 128 App. Div. 918, affirmed.
(Argued March 25, 1910; decided April 8, 1910.)

APPEAL from a judgment entered December 30, 1908, upon an order of the Appellate Division of the Supreme Court in the fourth judicial department, overruling plaintiffs' exceptions, ordered to be heard in the first instance by the Appellate Division, denying a motion for a new trial and directing judgment for plaintiffs upon the verdict in their favor at the Trial Term for the amount of defendant's offer of judgment in an action to recover upon a certificate of life insurance.

Arthur W. Hickman and Frederic C. Rupp for appellants.

George P. Keating, for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, VANN, WERNER and HISCOCK, JJ. Not sitting: HAIGHT, J.

VERYL PRESTON, Appellant, *v.* UNION ASSURANCE SOCIETY,
Respondent.

Preston *v.* Union Assurance Society, 130 App. Div. 896,
affirmed.

(Argued March 25, 1910; decided April 8, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered February 18, 1909, reversing a judgment in favor of plaintiff entered upon the report of a referee and granting a new trial in an action to recover on a policy of fire insurance.

Graham Sumner for appellant.

Charles D. Cleveland for respondent.

Order affirmed and judgment absolute ordered against appellant on the stipulation, with costs in all courts; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, HAIGHT, VANN, WERNER and HISCOCK, JJ.

WILLIAM H. THOMPSON, Respondent, *v.* METROPOLITAN LIFE
INSURANCE COMPANY, Appellant.

Thompson *v.* Metropolitan Life Ins. Co., 128 App. Div. 420,
affirmed.

(Argued March 29, 1910; decided April 26, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the fourth judicial department, entered November 27, 1908, reversing a judgment in favor of defendant entered upon a dismissal of the complaint by the court at a Trial Term and granting a new trial in an action to recover upon a policy of life insurance.

John L. Hunter for appellant.

P. McLaughlin for respondent.

Order affirmed and judgment absolute ordered against appellant on the stipulation, with costs in all courts; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, VANN, WILLARD BARTLETT and CHASE, J.J. Absent: HAIGHT, J.

MARYLAND CASUALTY COMPANY, Respondent, v. CHARLES A. BROWN et al., Appellants.

Maryland Casualty Co. v. Brown, 130 App. Div. 902, affirmed. (Argued March 30, 1910; decided April 26, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered February 26, 1909, affirming a judgment in favor of plaintiff entered upon a verdict directed by the court and an order denying a motion for a new trial in an action to recover additional premiums alleged to have been earned upon certain policies of insurance.

Alfred S. Brown and Henry A. Himmelmann for appellants.

Eugene L. Bushe and Frederick E. Fishel for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT and WILLARD BARTLETT, JJ. Dissenting: VANN and CHASE, JJ. Absent: HAIGHT, J.

GUSTAV OBENDORFER et al., Respondents, v. THE CITY OF NEW YORK, Defendant, and THE EMPIRE STATE SURETY COMPANY, Appellant.

Obendorfer v. City of New York, 130 App. Div. 877, affirmed. (Argued March 30, 1910; decided April 26, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 15, 1909, affirming a judgment in favor of plaintiffs entered upon a decision of the court at a Trial Term, a jury having been waived, in an action to recover upon a surety bond.

Ferd. W. Buermeyer for appellant.

Henry William Helper for respondents.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, VANN, WILLARD BARTLETT and CHASE, JJ. Absent: HAIGHT, J.

REPUBLIC LIFE INSURANCE COMPANY, Appellant, v. HUDSON TRUST COMPANY, Respondent.

Republic Life Ins. Co. v. Hudson Trust Co., 130 App. Div. 618, affirmed.

(Argued April 7, 1910; decided April 26, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the first judicial department, entered March 5, 1909, reversing a judgment in favor of plaintiff entered upon a verdict directed by the court in an action to recover the amount of an alleged deposit with defendant to the credit of the plaintiff.

Isaac H. Levy for appellant.

Victor E. Whitlock for respondent.

Order affirmed and judgment absolute ordered against appellant on the stipulation, with costs in all courts; no opinion.

CONCUR: CULLEN, Ch. J., GRAY, EDWARD T. BARTLETT, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

CARRIE LOEB et al., Appellants, v. SUPREME LODGE OF THE ROYAL ARCANUM, Respondent.

(Submitted April 25, 1910; decided May 3, 1910.)

Motion for reargument denied, with ten dollars cost. (See 198 N. Y. 180.)

AMPERSAND HOTEL COMPANY, Appellant, v. HOME INSURANCE COMPANY, Respondent, Impleaded with Another.

Practice—motion to dismiss defense as insufficient in law—fire insurance—alleged conspiracy of insured to burn property—when insufficient as a defense under terms of policy.

If a separate defense is insufficient in law it is proper, when it has not been demurred to, to object to it at the trial and to move for its dismissal, and, in a proper case, the motion may be granted, in order that the ground to be covered by the evidence upon the trial may be reasonably restricted.

In an action to recover the amount of a policy of fire insurance upon hotel buildings and contents, owned by a corporation, which were destroyed by fire, an allegation in the answer, that the principal stockholder of the plaintiff, who was also an officer thereof and its manager, had, shortly before the fire, entered into a fraudulent conspiracy wherein it was planned that some person or persons should be procured "to cause the destruction of the property by fire, to enable the plaintiff to recover * * * the insurance; * * * and that while said plan and conspiracy was still in existence and in process of accomplishment, the said fire occurred," does not constitute a good defense under the provision of the policy that it should be void "in case of any fraud touching any matter relating to this insurance or the subject thereof;" nor does such allegation constitute a good defense under the provision that the policy should be void "if the hazard be increased by any means within the control or knowledge of the insured."

Ampersand Hotel Co. v. Home Ins. Co., 131 App. Div. 361, reversed.

(Argued May 12, 1910; decided May 31, 1910.)

APPEAL from an order of the Appellate Division of the Supreme Court in the third judicial department, entered March 23, 1909, reversing a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury and granting a new trial.

CULLEN, Ch. J., HAIGHT and HISCOCK, JJ., concur with GRAY, J.; WILLARD BARTLETT, J., reads dissenting memorandum, and WERNER and CHASE, JJ., concur.

Order reversed, etc.

THE NEW YORK BOARD OF FIRE UNDERWRITERS, Respondent,
v. A. FOSTER HIGGINS et al., Doing Business as HIGGINS &
COX, Appellants.

N. Y. Board of Fire Underwriters v. Higgins, 130 App. Div. 78, affirmed.

(Argued May 13, 1910; decided May 31, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered January 16, 1909, in favor of plaintiff, upon the submission of a controversy, under section 1279 of the Code of Civil Procedure, as to whether the defendants are liable for a penalty in failing to make

return to the plaintiff as to insurance premiums received by them as attorneys-in-fact of the "United States Lloyds."

Archibald G. Thacher for appellants.

David Rumsey and John S. Sheppard, Jr., for respondent.

Judgment affirmed, with costs; no opinion.

Concur: HAIGHT, WERNER, WILLARD BARTLETT, HISCOCK, and CHASE, JJ.; CULLEN, Ch. J., concurs on the ground that while the marine policies of defendant do not fall within the statute, the automobile policies do.

**THE WASHINGTON LIFE INSURANCE COMPANY, Respondent, v.
BLAIR T. SCOTT, Appellant.**

Washington Life Ins. Co. v. Scott, 128 App. Div. 929, affirmed.
(Argued May 17, 1910; decided May 31, 1910.)

APPEAL from a judgment of the Appellate Division of the Supreme Court in the first judicial department, entered November 20, 1908, affirming a judgment in favor of plaintiff entered upon a decision of the court at a Trial Term without a jury in an action to recover moneys alleged to have been received by defendant in a fiduciary capacity and converted by him to his own use.

William B. Ellison and Arnold L. Davis for appellant.

Henry A. Rubino and Finis E. Montgomery for respondent.

Judgment affirmed, with costs; no opinion.

Concur: CULLEN, Ch. J., GRAY, VANN, WERNER, WILLARD BARTLETT, HISCOCK and CHASE, JJ.

ATTORNEY-GENERAL'S OPINIONS

NOTE

The following opinions of the Attorney-General are carried in full and comprise all that have been rendered to the Department from the opinion dated July 22, 1909, the last published in Part V of last year, to July 15, 1910, the date of compilation of this volume.

ATTORNEY-GENERAL'S OPINIONS

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, July 23, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

DEAR SIR.—Your communication of July 22, 1909, received.

In answer to the question therein contained as to whether or not in the case of the seven mutual fire insurance companies of Onondaga county, which are now in process of liquidation through your Department, holders of policies in said companies, in case of fire now occurring, would be entitled to share in the assets received by your Department in process of such liquidation, I desire to say that, and it is my opinion, that such policyholders are not entitled to share in the assets which may come to the hands of your Department through the liquidation of the business of said several corporations.

The law seems to be settled that where a receiver is appointed of an insolvent mutual fire insurance company, the outstanding policies of said company are thereupon canceled by operation of law, and that subsequent losses under such policies are not liabilities which may be enforced against the receiver.

I am of the opinion that the same rule applies in the case of these several companies, and that the policyholders, who are members of the company, in case of fire, would have no claim against the assets in your hands.

Yours very truly,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, September 13, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—On July 22, 1909, I rendered you an opinion in which I ruled that the policies of insurance issued by the Postal Life Insurance Company to policyholders in the Mutual Reserve Life Insurance Company, under a certain contract between the receivers of the latter company and the former company, could not properly be classed as new business. Subsequently, at the request of the Postal Life Insurance Company, I gave a hearing for the production of any facts which might have been overlooked in rendering that opinion. This hearing was attended by the president of the company and by your counsel.

No fact was brought out on this hearing which seems to require any modification of my previous opinion. It is claimed by the president of the company that many of the policies issued to the policyholders of the Mutual Reserve were negotiated and issued independently of the contract between the receivers of that company and the Postal. If this is so in fact, it of course follows that such business may properly be regarded as new business. If, on the other hand, the policies were issued under applications made in accordance with the terms of the contract with the receivers, and that contract was made part of the contract of insurance, the mere fact that the applications were received and accepted after the expiration of the time within which the Postal Company was compelled to accept them, would not of itself be sufficient to avoid the fact that they were reinsurance contracts. The Postal Company could waive the requirement that these applications be received within thirty days and agree to accept them under the old contract.

I still adhere to my previous opinion that all policies issued in accordance with the terms of this contract and under its provisions must be regarded as reinsurance.

The contention made by the president of the Postal Company that in valuing these policies the company should merely be charged with the difference between the face of the policy and the amount of the lien upon the policy, seems to me to present only a question of actuarial accounting. I do not, therefore, feel that I should pass upon it. It will doubtless receive consideration at the hands of your Department and be determined in accordance with well settled actuarial principles and in harmony with any precedent which may have been established by you.

Very truly yours,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *September 24, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I have your letter of the 7th instant in which you ask to be advised whether a life insurance company, originally organized on a nonparticipating basis, which has afterwards elected to do a participating business, can thereafter return to a nonparticipating basis.

In 1906 the Legislature passed an act amending the Insurance Law generally. Section 83 was amended to provide for the distribution annually of the surplus applicable thereto to the policyholders of a domestic life insurance company. The section contains this exception:

“This section shall not apply to any stock life insurance corporation which on or after the first day of January, nineteen hundred and seven, shall transact and shall represent itself as transacting its business exclusively upon a nonmutual basis and shall after said date issue only nonparticipating policies.”

Section 97 of the act limits the expenses of a life insurance corporation. This section also contains an exception clause which provides:

"This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance, and as to compensation of loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing non-participating policies exclusively."

The effect of this section is to restrict a company issuing participating policies, in its expenses in a manner that a company issuing nonparticipating policies is not restricted. The reason for this restriction being placed upon participating policy companies would seem to be that the holder of a participating policy is entitled to share in the surplus of the company, and that, therefore, the matter of the company's expenses are of great importance to such policyholder in determining the amount received by him under the participating clause of the policy. The holder of a nonparticipating policy, on the other hand, has no interest in the surplus of the company. The amount to be received under his policy is fixed in the contract. The same act which contained the above provisions also contains section 102, which reads:

"No domestic mutual life insurance corporation and no domestic stock life insurance corporation hereafter issuing or professing to issue any participating policies, shall issue any policies, except annuities, which do not by their terms give to the holders thereof full right to participate in the accumulations of said corporation as provided in this chapter. This section shall not apply to paid-up or temporary and pure endowment insurance issued or granted in exchange for lapsed or surrendered policies."

The intent of these provisions taken together seems to be to lay down a general plan to safeguard the participating policyholders' rights in the company's surplus. If the proper construction of sections 83 and 102 permits a company that has elected after January 1, 1907, to do business on a participating

basis to change at will to a nonparticipating basis, then the whole intent and purpose of the statute to protect the participating policyholders' rights are done away with in so far as the policyholders of such company are concerned. If such construction is to be placed on these sections then the policyholders of all participating policy companies are subject at any time to have the safeguards thrown about them by this statute summarily removed by the act of the company.

I do not believe that this was the legislative intent. The whole purpose of the act is in conflict with such interpretation. Not only does the intent seem clear that a company which has done a participating business since 1907 should be held thereafter to the restrictions which the law places around participating companies for the protection of the rights of its policyholders, but the language of sections 83 and 102 also seem clearly to so provide.

Section 83 provides that

"Except as herein provided every domestic life insurance corporation heretofore or hereafter organized, * * * shall provide in every policy issued on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually."

To this rule there is the exception mentioned heretofore that the section shall not apply to a stock life insurance corporation "which on or after the first day of January, nineteen hundred and seven, shall transact and shall represent itself as transacting its business exclusively upon a nonmutual basis and shall *after said date issue only nonparticipating policies.*"

A life insurance company such as you mention which issued nonparticipating policies up to August 11, 1908, at which time it elected to do only a participating business and since that time has issued only participating policies, cannot now I believe qualify within the exception clause above quoted.

Section 83 taken in conjunction with section 102, in my opinion, does not permit such a company to change from a participating to a nonparticipating business.

This conclusion is not in conflict with the opinion of Attorney-General Mayer of June 20, 1906, in re Manhattan Life Insurance Company, nor with the opinions of Attorney-General Jackson, referred to in your communication.

Very truly yours,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *October 27, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I have your letter of the 26th inst., in which you inquire whether a fire insurance corporation may organize in this State with its stock divided into two classes, common and preferred, with different dividends, provided it has at least the minimum capital required by law.

I have given this matter careful attention and in my opinion there is no objection to this procedure. The Insurance Law itself contains no reference whatever to the question, which must, therefore, be governed by the provisions of the Stock Corporation Law. An examination of this statute discloses that in section 61 it is provided as follows:

“Preferred and common stock. Every domestic stock corporation may issue preferred stock and common stock and different classes of preferred stock, * * *.”

Under the recent decision of the Appellate Division, First Department, in *People ex rel. Brown v. Koenig*, it is decided that the conditions regarding the rights of different classes of stock contained in the certificate of incorporation are merely matters of contract between the stockholders. Moreover, it is perfectly well settled that it is legal for a stock corporation to divide its stock

into two classes, one receiving a different amount of dividends than the other. I therefore advise you that there is nothing improper in the proposed incorporation.

Yours respectfully,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, November 17, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I acknowledge your letter of the 5th inst., in which you ask in reference to the United States Title, Guaranty & Indemnity Company, "Can this company amend its charter so as to extinguish its insurance powers, and if so, what proceedings must it take to accomplish this result?"

I have carefully considered the contents of your letter and also the memoranda submitted therewith, including letter from Hugo Hirsch, counsel for the United States Title, Guaranty & Indemnity Company, in which he sets forth certain authorities upon which he claims that the certificate of incorporation may be amended as suggested, and also memorandum from your counsel, calling my attention to certain authorities.

I have given this question very careful attention, and, in my opinion, the charter of the company cannot be amended under the existing statutes so as to eliminate its insurance powers therefrom.

Section 52 of the Insurance Law provides for amendment by domestic insurance companies, in two classes: First, authorizing those doing business October 1, 1892, to amend their charters so as to come under the provisions of the Insurance Law; and, second, allowing domestic corporations in general to amend their charters as therein specified.

Attorney-General Cunneen construed this section of the law, in an opinion rendered in 1904 (Attorney-General's report for 1904, page 428), and held that under it no part of the old charter could be eliminated. The only question, therefore, which is now presented to me for determination is whether section 18 of the Stock Corporation Law permits the amendment of a charter by eliminating any power.

Section 18 reads as follows:

"Any stock corporation heretofore or hereafter organized under any general or special law of this state, may *alter* its certificate of incorporation so as to include therein any purposes, powers or provisions which at the time of such alteration may apply to corporations engaged in a business of the same general character, or which might be included in the certificate of incorporation of a corporation organized under any general law of this state for a business of the same general character * * *"

It would seem that the reasoning of Attorney-General Cunneen's opinion above referred to, applies with equal force to the proper interpretation of this section. It is true that under the authorities cited by counsel for the company, if the statute merely said that the corporation could "alter" its certificate, that word would be broad enough, standing alone, to permit excision as well as inclusion. The statute, however, does not stop there, but defines the manner in which the certificate may be altered, clearly limiting it to the inclusion of new powers.

I have found no judicial decision upon this precise question, but what expressions of opinion I have found sustain the foregoing conclusion. In *People ex rel. Municipal Gas Company v. Rice*, 138 N. Y. 151, in speaking of the effect of this very section, which was then section 32, chapter 688, Laws of 1892, Judge O'Brien used the following language, at page 155:

"Chapter 688 of the Laws of 1892 (§ 32) authorizes any stock corporation, theretofore or thereafter organized under any general or special law, to amend its certificate and extend or alter its business and powers in two cases: (1) The purpose and powers of such corporation may be so *enlarged or extended*, as to include any purpose and powers which, at the time of such extension, had been conferred by law upon corporations engaged

in a business of the same general character. (2) They can also be *enlarged or extended* to embrace any purposes or powers which might properly be included in the certificate for the formation of a corporation of the same general character under any general law."

In other words, in the opinion of the learned justice, the words "alter so as to include" were synonymous with "enlarge" or "extend." In view of this definition of the scope of this section by such a high tribunal, I would not feel justified in advising you that you might depart from the apparently plain language of the statute. It is, therefore, my opinion that there is no power conferred by law upon this company to so amend its charter as to exclude its powers of doing an insurance business.

Yours respectfully,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *February 3, 1910.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—By your favor of the 2d instant, with which you forward me a copy of a letter addressed to you by George T. Peck, S. A., Pennsylvania Fire Insurance Company, of same date, I am asked for an opinion as to the power of a coroner to act with a jury in the investigation of fires, where there is ground to believe that a building has been maliciously set on fire; and in reply I beg to state that it appears by chapter 66 of the Laws of 1909 (Vol. 1, page 96), sections 952h to 952o, inclusive, that it is made the duty of a coroner, sheriff or deputy sheriff of a county

in which a crime is supposed to have been committed, whenever it is made to appear that there is ground to believe that any building has been maliciously set on fire or attempted to be set on fire, as required by section 952h, to proceed with an investigation as provided by the above-mentioned act.

Section 952-i reads as follows:

“§ 952-i. Powers of sheriffs and coroners. For this purpose he shall possess all the powers conferred upon coroners for the purpose of holding inquests by the first four sections of article first of title seventh of chapter second of part fourth of the revised statutes.”

It will be observed that this section gives the officer acting, whether he be a coroner, sheriff or deputy sheriff, all of the powers conferred upon coroners by the first four sections of article first of title seventh, chapter 2, part 4, of the Revised Statutes, and upon examination it is found that the above four sections of the Revised Statutes have been re-enacted into sections 773, 774, 775 and 776 of the present Code of Criminal Procedure, and relate to the powers of coroners in summoning juries, subpoenaing of witnesses, compelling their attendance and their punishment in the event of their disobedience of the subpoena.

It will also be observed that, by section 773, *id.* coroners cannot summon a jury for the investigation of a killing or dangerous wounding, except where it occurred in a county in which is situated in whole or in part a city having a population of more than 500,000, as appears by the last State enumeration, but no such limitation applies to an investigation provided for by section 952-h as to the origin of a fire, and it appears to be mandatory upon either a coroner, sheriff or deputy sheriff to proceed with an investigation as provided by section 952-h upon the presentation to him of the affidavit and request therein specified.

Yours respectfully,

EDWARD R. O'MALLEY,
Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, March 12, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I herewith return, without my approval, certificate of incorporation of the Order Sons of Benjamin.

You will observe that this is a fraternal beneficiary society, which has already reincorporated once under section 231 of the Insurance Law. It now seeks to "reincorporate" again under that section, the real purpose being that it desires to amend its charter.

On December 12, 1904, Attorney-General Cunneen, in an opinion to your Department, pointed out that, under section 52, the right to amend a charter generally by adopting "in whole or in part a new charter," existed only *once*, as after such amendment the company was, by the statute, "deemed to have been incorporated under" the Insurance Law, and that, therefore, it could lawfully make further amendments only as provided by such law.

The provisions there under consideration are similar to section 231, in that both are methods by which corporations incorporated under other laws might come under the Insurance Law, and the ruling which he makes therefore is, in my opinion, conclusive in the present case.

The Independent Order Sons of Benjamin, having once reincorporated under section 231, the statute provides that "it shall thereupon be duly incorporated under the provisions of this article."

It is, therefore, my opinion that, after such action on its part, it cannot again reincorporate or take any other action to amend its charter, except by the method of amendment, if any, authorized by law.

Very truly yours,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *March 23, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I have your favor of March 1, 1910, in which you ask me to reaffirm or reverse an opinion of this office under date of August 29, 1907, in which it was held that the amendment of section 55 of the Insurance Law by chapter 437 of the Laws of 1902 did not permit the insuring of an infant by assessment life and casualty insurance corporations doing business under the provisions of article 6 of the Insurance Law.

After having given the matter careful consideration and having considered the arguments on both sides of the proposition, I am of the opinion that while the matter is not free from doubt, the arguments tending to sustain the opinion of the former Attorney-General are the stronger.

Yours very truly,

EDWARD R. O'MALLEY,

Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *June 8, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—I have your letter of the 25th ult., in which you transmit to me certain papers in reference to the Royal League of America, with a request for my opinion as to the right of this association to transact the business of insurance in this State.

It appears from these papers that the Royal League of America is an association of individuals engaged in the business of fraternal insurance as defined in Article VII of the Insurance

Law. This association has never been incorporated nor has it received any certificate of authority from your department to transact business. The claim of the association is that such certificate of authority is unnecessary, and that individuals may associate themselves together in this State for the purpose of transacting fraternal insurance business without being required to obtain the consent of the Superintendent of Insurance.

I have read with great care the brief submitted on behalf of the association, and the somewhat voluminous correspondence between your department and their counsel both before and after the admission of such memorandum. I am unable, however, to agree with the position of the association, for in my judgment it is illegal under the laws of this State for such individuals to associate themselves together for this purpose without first obtaining your certificate of approval.

Without attempting to consider in detail the various statutes involved and the various arguments made both for and against this proposition, I will endeavor to state concisely the reasons which induce me to reach this conclusion:

An analysis of the provisions of section 54 shows that it requires all individuals and associations engaging in the business of insurance in this State to possess the same capital as required of a corporation doing a similar business, to make a deposit with the Superintendent of securities to the same amount required of such corporations, and to procure a certificate from the Superintendent that they have complied with all the provisions of law which an insurance corporation doing business in this State is bound to observe, and that the business of insurance specified in such certificate may safely be entrusted to them. Every such person or association is expressly made subject to the Insurance Laws of the State and to the jurisdiction and supervision of the Superintendent, in the same manner as if an insurance corporation, and no such person or association is permitted to transact business under a corporate or fictitious name nor under any name other than the true name of the person or persons comprising the association.

Section 57 provides that the provisions of Article I (which includes Sec. 54) shall not apply to *corporations* specified in

Article VII. This exemption applies only to fraternal corporations and does not apply to this unincorporated association.

. Section 233 is the section upon which the association relies as exempting it from the requirements of section 54 above set forth. This latter section provides that all fraternal beneficiary societies or associations, voluntary or incorporated shall be "exempt from the provisions of the other insurance laws of this state, and shall be subject only to the provisions of this article, and such provisions in article one of this chapter as may be specially applicable thereto."

It is my opinion that this section is not broad enough to exempt the present association from the requirements of the certificate contained in section 54. In the first place, section 233 applies only to "all beneficiary societies, orders or associations whether voluntary or incorporated." It does not apply to individuals. Individuals cannot associate themselves together in a fraternal beneficiary association without engaging in the business of fraternal insurance by the very act of forming such association. It, therefore, follows that if individuals organize such an association without the consent of the Superintendent of Insurance, they, as individuals, are violating the provisions of section 54, and such violation is coincident with the formation of the association. Therefore the association is not lawfully organized, because its organization is the result of unlawful acts of the individuals attempting to form it. It follows that the exemption given by section 233 can never be claimed, since such exemption extends only to lawfully organized associations.

In the second place, section 233 by its very terms provides that mutual benefit fraternities shall be subject "to such provisions of article one of this chapter as may be specially applicable thereto." It is evident from this that the Legislature intended such fraternities to be subject to some of the provisions of Article I. Examination of the various sections contained in Article I shows first, that by section 57 above mentioned, none of its provisions are applicable to *incorporated* fraternities. It follows that the only sections which could have been specially applicable to fraternities are those applying to voluntary associations. The only section in Article I specifically applying to voluntary associations is this

very section 54. It would seem to follow, therefore, that by the very terms of the exemption contained in section 233, section 54 is not intended to be excluded.

It is doubtless true that certain of the requirements of section 54 have no force when applied to a fraternal association since fraternal corporations are not required to possess any particular capital or to deposit securities with the Superintendent. This, however, does not prevent the other parts of the section, which clearly can apply, from being given effect. There is nothing in section 239, exempting fraternal beneficiary societies, orders or associations from the provisions of sections 230-232, which prevents the above application of section 54.

For these various reasons, it is my opinion that the association of individuals known as the Royal League of America was illegally formed, since its organization was not made in accordance with the requirements of section 54 of the Insurance Law.

In addition to the foregoing provisions, it is also my opinion that section 237 clearly declares the intent of the Legislature to require such voluntary associations to procure such certificate from the Superintendent of Insurance before engaging in business. This section, which provides for the filing with your Department of an annual report by every fraternal society, order or association, applies equally to voluntary associations and to corporations, and provides in part as follows:

"Any person who shall act within this state as supreme, grand or subordinate officer, trustee, agent, solicitor or collector for any such fraternal beneficiary society, order or association, which shall have * * * failed or neglected to procure from the superintendent, the certificate of authority to transact business in this state required by law, shall forfeit to the people of the state the sum of one hundred dollars for every such offense."

This same section also makes it a similar offense for any such officer to refuse to permit the Superintendent or any examiner appointed by him to make an examination of the condition and business of such fraternity, and provides in the last sentence that if any such refusal prevents such examination, the Superintendent "shall revoke the certificate of authority issued to such fraternal beneficiary society, order or association." The provi-

sions of this section, therefore, clearly indicate to my mind the legislative intent to require of all mutual benefit fraternities the procuring of a certificate from the Superintendent of Insurance.

I return herewith the exhibits handed me with your letter which you requested me to return.

Very truly yours,

EDWARD R. O'MALLEY,
Attorney-General.

STATE OF NEW YORK:

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *July 15, 1910.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—By section 29 of the Insurance Law it is provided:

“No foreign insurance corporation shall transact any business of insurance in this state until it has filed in the office of the superintendent of insurance a certified copy of its charter or deed of settlement with a verified detailed statement” * * *.

By section 10 of the same law the Attorney-General is required to examine such declaration and charter and certify the same to be in accordance with the requirements of law before the same can be filed in the office of the Superintendent of Insurance, etc.

Hereafter I think it advisable to require all foreign insurance companies seeking to do business in this State to file a copy of their charter certified to by the officers of the State or division of the government having custody of the original of such charter. If it should appear that the country where the corporation is incorporated does not have a custodian of such corporate certificate, then let the corporation seeking to do business in this State furnish proof of that fact; and in such event the certified copy should be made by the official having custody and control of the original.

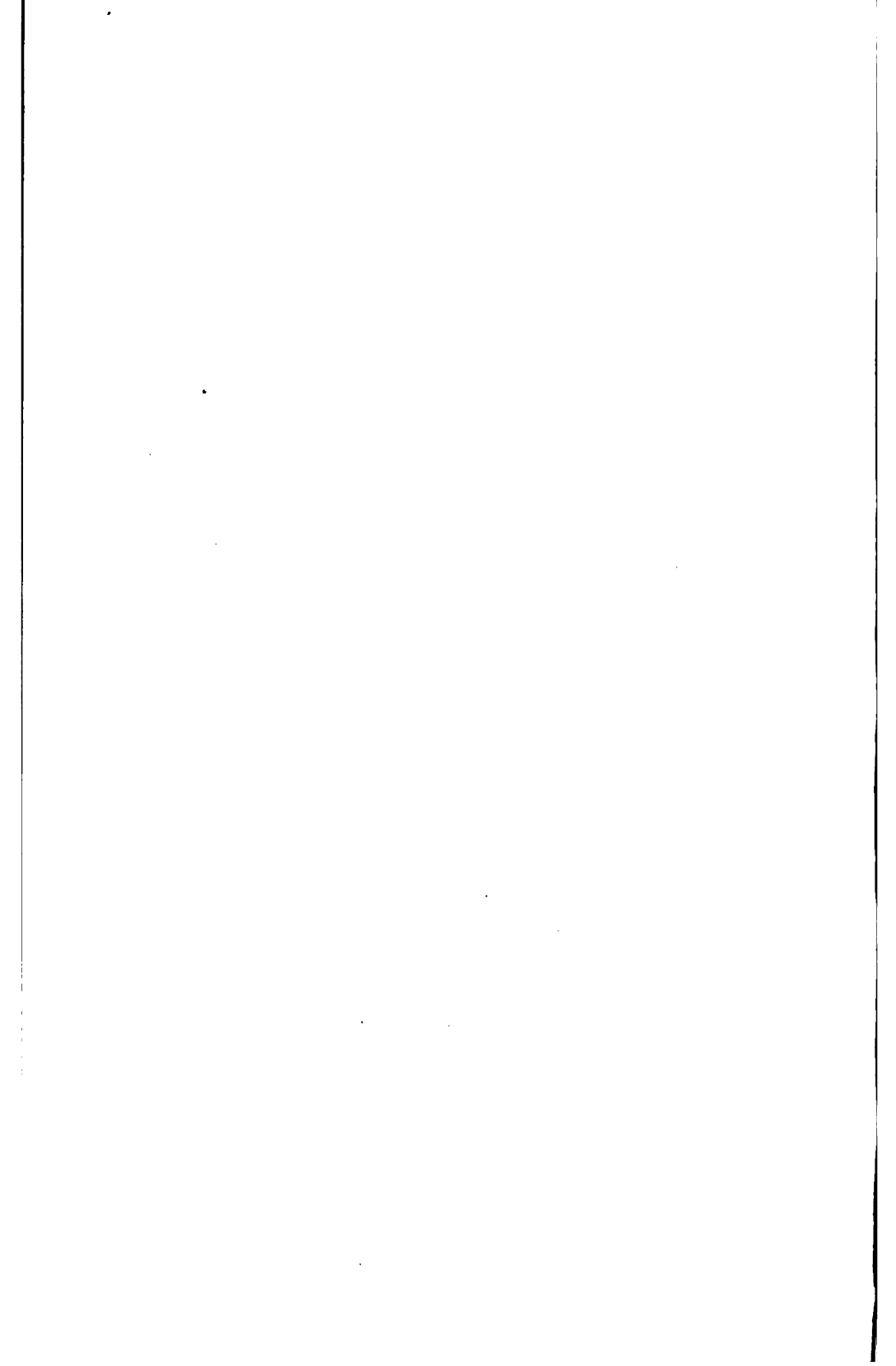
In all cases the certificate should contain a statement that the copy so certified has been compared with the original and is a true and correct copy of the same.

In other words, I feel that all such insurance companies should be compelled to comply strictly with the statute. As you are well aware, it heretofore has been the custom of a great many of these insurance companies to send, in lieu of a certified copy of their charters, a mere copy of the same with a statement attached thereto by some officer of the corporation that the same is a true copy, etc. This, I believe, is not a proper compliance with the law.

Yours very truly,

EDWARD R. O'MALLEY,

Attorney-General.



Rulings of the Superintendent of Insurance

AND

Extracts from Opinions of Attorney-General

REGARDING THE

Life Insurance Laws (1906) as Amended

INSURANCE MEASURES OF THE SESSION OF 1910 APPROVED BY THE GOVERNOR.

An act to amend the Insurance Law in relation to fire and marine insurance corporations, chapter 168 of the Laws of 1910, signed by the Governor April 25, 1910.

An act to amend the Insurance Law so as to prohibit the further formation of corporations for the purpose of insuring the lives of domestic animals on the co-operative or assessment plan of insurance, chapter 318 of the Laws of 1910, signed by the Governor May 18, 1910.

An act to amend the Insurance Law in relation to co-operative fire insurance corporations, chapter 328 of the Laws of 1910, signed by the Governor May 18, 1910.

An act to amend Article II of the Insurance Law in relation to surrendered and lapsed policies of life insurance, chapter 614 of the Laws of 1910, signed by the Governor June 23, 1910.

An act to amend the Insurance Law in relation to the valuation of industrial life insurance policies, chapter 616 of the Laws of 1910, signed by the Governor June 23, 1910.

An act to amend the Penal Law in relation to misconduct by officers and directors of life or casualty insurance corporations upon the co-operative or assessment plan or of fraternal beneficiary societies, orders or associations, chapter 620 of the Laws of 1910, signed by the Governor June 23, 1910.

An act to amend Article I of the Insurance Law generally, chapter 634 of the Laws of 1910, signed by the Governor June 23, 1910.

An act to amend the Insurance Law in relation to standard provisions for accident and health policies, chapter 636 of the Laws of 1910, signed by the Governor June 24, 1910.

An act to amend the Insurance Law relative to the purposes for which certain insurance companies may be incorporated, chapter 637 of the Laws of 1910, signed by the Governor June 24, 1910.

An act to amend the Insurance Law in relation to persons, partnerships or associations engaging in the business of insurance as Lloyds or inter-insurers, chapter 638 of the Laws of 1910, signed by the Governor June 24, 1910.

An act to amend the Insurance Law in relation to fire insurance policies written by two or more companies, chapter 668 of the Laws of 1910, signed by the Governor June 25, 1910.

An act to amend Article II of the Insurance Law so far as the same is applicable to life insurance companies generally, chapter 697 of the Laws of 1910, approved by the Governor June 25, 1910.

FOREWORD

Chapter 326 of the Laws of 1906, entitled, an act to amend the Insurance Law generally, which became a law April 27, 1906, made important amendments to §§ 2, 7, 11, 15, 16, 20, 24, 33, 36, 39, 40, 45, 52, 53, 58, 59, 70, 71, 73, 82, 83, 84, 88, 89, 92, 200, 204, 205, 208, 210 and 214; repealed §§ 56 and 87 and the whole of Article X (§§ 300 to 320, inclusive) and added as wholly new matter §§ 58, 60, 87, 94, 95, 96, 97, 98, 99, 100, 101, 102 and 103. The legislation of 1907 made other amendments to §§ 16, 31, 70, 89, 91, 94, 101, 103, 110, 150, 201 and 239; in the legislation of 1908 amendments were made to § 60 and § 100; and in 1909 amendments were made to §§ 7, 16, 18, 22, 32, 46, 50, 57, 70, 84, 88, 91, 97, 121, 150 and 170; §§ 8, 101 (old), 138, 139, 140 and 141 were repealed; and §§ 63, 101 (new), 149, 149a, 149b, 149c and 241 added. On the preceding page will be found a list of the acts of the Legislature of 1910, making further changes in the Insurance Law.

The insurance legislation of 1906, affecting as it did the conduct of affairs of life insurance corporations in so many particulars, gave rise to much correspondence relating to the interpretation, application and effect of the various amendments. Some of the more important points presented in this correspondence were submitted to the Attorney-General for his opinions thereon. The Actuarial Society of America selected from these opinions of the Attorney-General, and from the rulings of the Superintendent, such matters as seemed to be of general interest to the life insurance companies doing business in this State, and published them in three pamphlets, dated respectively November 7, 1906, December 14, 1906, and March 1, 1907. The opinions and rulings contained in the three pamphlets mentioned were collected and rearranged, with others of later date, down to and including the 22d day of August, 1907, and published in Part V of the Annual Report of the Superintendent for 1907. They were again published in Part V of the Annual Reports for 1908 and 1909.

The opinions and rulings as heretofore published were arranged in chronological order under the sections of the Insurance Law to which they particularly applied. They were arranged in Part V of 1909 upon a plan which is somewhat different, since it was based upon the Subdivision of the section to which an opinion or ruling seems to apply. Thus, under section 97 questions concerning "bonuses" fall under Subdivision 6; under the same section all questions concerning "commutation" of renewal commissions are grouped under Subdivision 8. The grouping under each section is indicated by bold faced type. This compilation has been brought down to August 16, 1910.

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SECTION 16 — INVESTMENT OF CAPITAL AND SURPLUS

Sub. 3. Corporate Bonds

Investment of Bonds of any Private Corporation

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Your understanding that sections 16 and 100, taken together, still permit a corporation to invest its surplus funds in, or accept as collateral security, the bonds of any private corporation, if, in the judgment of the Board of Directors or Finance Committee such bonds are a safe investment, is, I believe, correct."

Sub. 9. Foreign Securities

Investment in Securities of Foreign Governments

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Replying to your first question, I would state that the word 'government,' as used in section 100 of the Insurance Law, is not necessarily limited to the United States. Section 16 of the law authorizes companies doing business in foreign countries to invest certain of their funds in the same kind of securities in such foreign countries as they are allowed to invest in, in this State. What a company may invest in it may loan upon. Owing to the facts that the authorization referred to is limited to those companies doing business in foreign countries and that the amounts that may be so invested are limited by the obligations of the companies incurred in such countries, I am of the opinion that life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business."

Reasonable Discretion Allowed in Regard to Purchase of Securities to Meet Company's Obligations in Foreign Countries

Extract from letter dated October 15, 1908, from the Superintendent of Insurance to the New York Life Insurance Company.

"Your letter of October 13, 1908, is received, requesting a ruling from the department in construction of the following provisions of section sixteen of the Insurance Law, as to whether a domestic life insurance company doing business in foreign countries is thereby limited to investments never exceeding the depository requirements of a foreign country, or whether the board of directors has reasonable discretion in regard to when and how much of securities it may buy to meet its obligations in a foreign country:

'Every such domestic corporation doing business in other states of the United States, or in foreign countries, may invest the funds required to meet its obligations incurred in such other states or foreign countries, and in conformity to the laws thereof, in the same kind of securities in such other states or foreign countries that such corporation is by law allowed to invest in, in this State.'

The department will hold that a reasonable discretion is given by the statute to a board of directors of a domestic life insurance company, doing business in a foreign country, to invest such part of its funds as may be required to meet its obligations under the laws of such foreign country, in lawfully prescribed securities, at such times and in such amounts as will best subserve and protect the business interests of the company from year to year. A board of directors in authorizing transactions under this provision of the insurance law will be held to a strict account for any abuse of its discretionary powers."

(See also rulings cited under section 100 — Investments.)

SECTION 18 — STOCKS, BONDS AND OTHER EVIDENCES OF DEBT
All Life Insurance Companies Doing Business in this State Must Amortize Bonds

Extract from a letter dated August 9, 1909, sent to the president of each foreign life company.

"It is ruled that all life insurance companies, whether organized under the laws of this State, or, if not so organized, author-

ized to do business in this State, shall amortize their bonds returned in the annual statements showing their condition as of December 31, 1909, in accordance with the provisions of section 18 of the Insurance Law, as amended in 1909."

SECTION 22 — REINSURANCE

Extract from letter dated February 23, 1909, from the Attorney-General to Superintendent of Insurance.

"By section 70 it is specifically provided that the subdivisions containing the purpose or purposes for which a company is incorporated must be specified in its certificate of incorporation.

By specifically including insurance against accident in a separate subdivision, the legislature had clearly indicated its intention to regard such insurance as distinct from that specified in other subdivisions, and therefore as distinct from insurance upon health. Therefore, by specifying only subdivision 1, the certificate of this company necessarily excludes insurance against accident and limits its powers to those contained in such subdivision.

It is further my opinion, that the right conferred upon insurance corporations doing business in this State, to reinsure the whole or any part of any policy obligation in any other insurance corporation, which right is granted by section 22 of the Insurance Law, does not confer upon such other insurance corporations the power to issue any reinsurance policies for purposes for which they could not issue original policies.

Finally, the issuance of any policy not in standard form prescribed by section 101, and not approved by the Superintendent of Insurance, is also in contravention to the provisions of the Insurance Law."

See the opinion in full, which will be found at page 97 of Part V, 1909.

SECTION 36 — OFFICERS AND DIRECTORS NOT TO BE PECUNIARILY
INTERESTED IN TRANSACTIONS

Sub. 2. Pecuniary Interest

*Officer of Corporation Selling Securities not to Act on Finance
Committee of Corporation Making Purchase*

Extract from letter dated April 17, 1907, from the Superintendent to the
Home Life Insurance Company.

“There is no prohibition in section 36 of the Insurance Law of an officer of one corporation being a stockholder or officer of another, or of corporations under such circumstances doing business with each other, but in the investment of assets and the employment of financial agencies for the purpose, I think it questionable if the law permits active participants in negotiations for the purchase and sale of securities, or who advise as experts in relation thereto, to be one and the same person. The spirit of the law seems opposed to such a contention whether a technical provision is found against it or not.”

*Loans, Purchases and Sales in which Officer or Director is Held
to be Pecuniarily Interested*

Extract from letter dated December 5, 1907, from the Attorney-General to
the Superintendent of Insurance.

“* * * I am of the opinion that the questions asked should be answered as follows:

‘First. Can a life insurance corporation, through its directors or officers, make a loan to any corporation in which its (the life insurance corporation) directors or officers are stockholders?’

Yes, provided that their only interest in the loan is as stockholders of the borrower.

‘Second. Where a director or officer of a life insurance corporation is also actively connected with the management of another corporation, does the statute prohibit the life insurance corporation from loaning money to or purchasing securities from such corporation?’

Third. If a life insurance corporation, under section 36 of the Insurance Law, is not permitted to loan to or buy securities from a corporation in which its officers are stockholders or actively par-

ticipating in its management, can such life insurance corporation make loans to such other corporation or buy its securities through the agency of brokers? * * *

The transactions mentioned in the questions are not prohibited by the statute, provided the 'director or officer' of the insurance corporation has no personal interest therein and that the transaction was fair and no advantage was taken of his position to secure his own advantage or that of the other corporation.

'Fourth. Where a life insurance corporation, through its finance committee, purchased bonds of a railroad corporation, not from the railroad corporation itself but from a third person, and two members of such finance committee were respectively president and secretary of such railroad corporation, is this transaction prohibited by this section?'

No, provided the two persons named had no interest in the specific securities purchased.

'Fifth. Can a brokerage firm, of which a director of an insurance corporation is a member, act as broker for the insurance corporation in the purchase or sale of securities and receive commissions therefor?'

No."

* * * * *

SECTION 50 — AGENT'S CERTIFICATE OF AUTHORITY

General Superintendent of Agencies Must Have Agent's Certificate of Authority

Extract from letter dated December 23, 1909, from the Superintendent to the New England Mutual Life Insurance Company.

"You state: 'My duties as general superintendent of agencies occasionally take me to New York city, also to Binghamton, Buffalo and Rochester, where we have general agencies. Occasionally, on such trips, I am requested to assist in closing a difficult case and heretofore have co-operated along these lines but without in any way, shape or manner receiving any commission or other compensation for such services in obtaining new business. As I am an officer of this company and the company is authorized to do business in your State, is it necessary that I should have an

agent's license in order to operate along the lines suggested above?'

To your question my answer is yes."

SECTION 55 — INSURANCE WITHOUT THE CONSENT OF THE INSURED PROHIBITED

Creditor May Not Insure Life of a Debtor

Extract from Opinion of Department Counsel, dated February 16, 1910.

"The ——— Company has presented, for approval, a form of policy which it designates as a 'creditor policy.' It is clearly apparent that the creditor is to apply for insurance upon the life of the insured under the policy. It is my opinion that such form of policy is prohibited by section 55 of the Insurance Law, which provides that no policy, save in the cases therein mentioned, shall be written except upon the application of the *insured*."

SECTION 58 — POLICY TO CONTAIN THE ENTIRE CONTRACT

Sub. 3. Endorsements on Standard Forms

Application for Policy — How made Part of Contract

Extract from letter dated August 8, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

"Section 58 of the Insurance Law clearly provides that the application for a life insurance policy to be issued on and after January 1, 1907, may be made part of the contract by endorsement thereon or attachment thereto."

See ruling of August 3, 1909, § 101, subd. 3.)

Extra Hazard

Extract from letter dated January 16, 1907, from the Superintendent to the New York Life Insurance Company.

"Your favor of the 15th inst., enclosing a sample standard life insurance policy showing the endorsements used to cover the extra hazard when insured has had an attack of appendicitis within two or three years prior to applying for insurance, has been received.

I am of the opinion that the use of these endorsements is permitted by the provisions of section 58 of the Insurance Law."

Additional Options in Deferred Annuity Contract

Extract from letter dated March 4, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 3d inst., reading as follows:

'The Standard Annuity Form, as promulgated by the Superintendent of Insurance, contains the following provision in the case of a deferred annuity by annual premiums:

After this contract shall have been in force three full years, if any subsequent premium is not duly paid, this contract will automatically become paid-up for an amount of annuity equal to as many * * * parts of the original annuity as there shall have been full years premiums paid thereon at the time of default in the payment of premium. Such paid-up annuity shall be subject to the conditions of this contract, but without further payment of premium.

We desire to issue a deferred annuity by annual premiums and to grant additional options in the event of lapse after three years. Would such additional options be permitted under the standard form?'

I am of the opinion that section 58 of the Insurance Law will permit the indorsement upon or the attachment to the contract in question of additional options which shall not conflict with any of the provisions of such law."

Sub. 4. Representations*Form of Application*

Extract from letter dated November 21, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"I am of the opinion that the form of application used by any company should be worded in accordance with that provision of section 58 which reads: 'All statements purporting to be made by the insured shall, in the absence of fraud, be deemed representations and not warranties.'"

Any Waiver Shall be Void

Ruling of August 3, 1909.

"There was submitted a certain form of application which contained these words: 'That I hereby *warrant* each and every

statement herein made or contained to be full, complete and true.' Also this: 'And that if any * * * untrue statement or answer be made or contained herein, then the said policy and this contract shall be *ipso facto* null and void.'

The ruling thereon was as follows: 'This is plainly in violation of the provisions of section 58 of the Insurance Law. The last clause of that section reads: Any waiver of the provisions of this section shall be void.'"

SECTION 60 — ESTIMATES AND MISREPRESENTATIONS PROHIBITED

Sub. 1. Profits and Dividends

Illustration of Profits

Extract from letter dated May 29, 1906, from the Superintendent to the Associate General Agent of The Northwestern Mutual Life Insurance Company of Buffalo.

"Your favor of the 26th inst., enclosing copy of an illustration of the profits estimated to be paid by the Fidelity Mutual Life Insurance Company on one of its 20-Payment Life Policies with deferred dividends has been received.

It is the opinion of the Department that such an 'illustration of profits' cannot legally be issued or circulated in this State at this present time.

On and after January 1, 1907, every policy of life insurance issued or delivered within this State shall contain the entire contract between the parties and therefore the guarantees that show in the illustration you enclose, after the date named, would necessarily be incorporated in the policy itself."

Estimated Dividends

Extract from letter dated November 21, 1906, from the Superintendent to Connecticut General Life Insurance Company.

"You state that the estimated dividends in your enclosures 'are according to the actual scale which has been in use by this Company since 1901;' that the new form will in all probability oblige you to change your dividend scale somewhat, and you ask for a construction of section 60 of the Insurance Law.

In my opinion 'Estimated Dividends' based upon the actual dividends you are paying, and shall arrange to pay upon the new form of policy, are not such as are prohibited by section 60; the prohibition applies to false estimates only — 'misrepresentations.' "

Illustrations of Profits must Represent Present Day Results

Ruling of August 3, 1909.

Comments on an advertising booklet, "The Best Policy:"

"The illustrations of cost, on pages 13 and 14, are misleading. Two of the policies there used as illustrations of cost (or profits) were issued in 1869, one was issued in 1872, one in 1873, and the one bearing the most recent date was issued in 1874. It is submitted that policies which became paid-up from fifteen to twenty years ago are not fair illustrations of present day results: According to the annual report of the company filed with this Department (as of December 31, 1908), showing dividends on twenty premium life policies, the accretions to such a policy as No. —, had it become paid up in 1908, would have been less than one-half the amount stated in the illustration. * * * Advertising literature should, so far as possible, deal with present conditions and illustrations of results should be drawn from recent settlements under policy contracts which were of the same general character as those now lawfully issued in this State."

Memorandum of Cost

Extract from a letter dated June 25, 1910, from the Superintendent to the Union Central Life Insurance Company.

"Your favor of the 23d inst., submitting for approval 'a memorandum of cost', is received. I would advise you that a statement worded as follows would be approved by me: 'First dividend at end of second year on basis of dividend paid in 1910 on issues of 1908, should be about ————— (stating the actual dividend paid).'"

Sub. 2. Twisting

Misrepresentations of Agent Concerning Policies of Another Company

Extract from an opinion by the Superintendent, dated July 8, 1909, in the matter of Burr.

"Section 60 of the law was enacted to prevent the unsettling of insurance already written. If enforced, it protects the business of companies from raids from unscrupulous agents of other companies on policies already in force and it also protects the insured from the loss which inevitably follows the lapsation of insurance in any reputable company. The only one who really gains by the process of shifting insurance of some years' standing from one such company to another is the agent who is making his commission in the transaction. It is confusing and difficult enough for the ordinary layman to come to a conclusion regarding his insurance amid the persistent and conflicting advice to which he is subjected from resourceful and eloquent agents as soon as he shows the first symptoms of becoming a willing and select risk. But when he has solved the problem once to his satisfaction and has deliberately chosen his company and become insured therein, the least that can be asked is that he be left to pay his premiums and enjoy his insurance in peace. If, however, this is asking too much of an over zealous agent who, driven by an ever compelling desire to earn a commission, must argue and argue with him to change his insurance to the particular company he represents, then the least the department can do to help maintain normal conditions in the insurance field is to insist in a very positive manner that nothing but the unadorned truth will be tolerated from such agents engaged in this so-called 'readjusting' business. This it intends to do."

SECTION 70 — INCORPORATION

Sub. 1. Insurance Upon Lives or Health

Insurance against Disability or Disablement distinguished from Accident Insurance

Extract from letter dated April 9, 1909, from the Attorney-General to the Superintendent of Insurance.

" * * * Subdivision 1 of § 70, under which the Liberty Life Insurance Company is incorporated, provides that corpo-

rations formed under its provisions may write the following kinds of insurance:

‘ 1. Upon the lives or the health of persons and every insurance appertaining thereto and to grant, purchase or dispose of annuities.’

* * * * *

It is * * * my opinion that the Liberty Life Insurance Company, under subdivision 1 of § 70, has the right to issue policies or to reinsure outstanding policies of other companies which indemnify the insured against disability or disablements from whatever cause resulting, so long as accident insurance as such is not issued * * *.”

Life Insurance Policy may Include Health Insurance Rider

Ruling of November 3, 1909.

“ Companies organized under subdivision 1, of section 70, may attach to their life insurance policies health insurance riders.”

Sub. 10. Insurance Against Damage by Automobile Collision

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

“ It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110.”

SECTION 83 — DISTRIBUTION OF SURPLUS TO POLICYHOLDERS

Sub. 1. Annual Dividend Policies

Meaning of the Words Issue, Issuing and Issued as Used in §§ 83, 102 and 103

Extract from letter dated January 8, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

“ * * * Your statement: ‘ That the meaning of the word *issued* as used in the Armstrong Amendments (in §§ 83 and 102), imports a different act from the act of delivery which by the terms of the contract would give the policy its legal inception and is used synonymously with the word *written*, as used in insurance parlance and in section 103 of the law,’ is, in my opinion, correct.”

Sub. 2. Deferred Dividend Policies*Deferred Dividend Policies Not to be Issued*

Extract from letter dated December 3, 1906, from the Superintendent to the Germania Life Insurance Company.

"Policies with deferred dividend periods as mentioned in V. of your letter cannot be issued at home, or abroad, after January 1, 1907. See section 83 of the Insurance Law."

Deferred Dividend Policies Issued Prior to January 1, 1907

Extract from letter dated February 15, 1907, from the Superintendent to the Editor of The World's Work.

"Your favor of the 14th instant, relating to deferred dividend policies issued prior to the passage of the insurance laws of 1906, is received. * * *

The provision of section 83, requiring distribution of surplus to be made annually, applies to policies issued on and after the 1st day of January, 1907. * * *"

(See extract from letter dated August 16, 1906, from the Superintendent to "The Western Underwriter," quoted under section 97, page 180.)

Change in Form of Old Deferred Dividend Policy

Extract from letter dated April 23, 1907, from the Superintendent to the Home Life Insurance Company.

"* * * You ask for a decision on the following point: 'In the case of a Limited Payment Life or Ordinary Life Policy issued prior to January 1, 1907, with a deferred dividend period, will the company be violating either the spirit or the letter of the law if, upon request, the original policy is changed to an Endowment Policy for the same amount, the changed form of policy bearing the same date as the original and the premium consideration being that for the age at which the policy was originally issued with a deferred dividend period for the same term of years as the original policy.'

I am of the opinion that the change, as stated, may be made."

Changes in Deferred Dividend Policies Issued Prior to January 1, 1907, Allowed

Extract from letter dated August 14, 1908, from the Superintendent to the Fidelity Mutual Life Insurance Company.

"Your favor of the 13st inst. is received. You state:

'We would be pleased to have your ruling with reference to changes which are sometimes desired in policies issued prior to January 1, 1907. It sometimes happens that a policyholder insured under a policy which by its terms defers the distribution of surplus to some future date more than one year beyond the date of issuance of the policy, desires to have the same changed to another plan, the changed policy to be issued as of the same original date and age. To illustrate: There may be a policyholder having an Ordinary Life Policy with dividends deferred for twenty years, issued five years ago, who now desires to have the same changed to 20-Payment Life or 20-Year Endowment, the changed policy to be in all respects the same as if it had been applied for and issued five years ago, and containing the same provisions as to deferring dividends.'

To this my answer is that a deferred dividend policy issued prior to January 1, 1907, may after that date be exchanged for another form of policy with the same deferred dividend period, written on the original age and date of issue."

Sub. 3. Existing Deferred Dividend Policies

Apportionment of Surplus Annually

Extract from letter dated January 25, 1907, from the Superintendent to Mr. H. R. Lawford.

"Section 83 provides for the ascertainment and distribution annually of its proportion of the surplus to every policy issued on and after Jan. 1, 1907. It also provides for the setting aside annually of 'such sums as may properly be held for account of existing deferred dividend policies.'"

Sub. 4. Surplus — Earned or Saved***Policies Issued in 1906, on Deferred Dividend or Nonparticipating Plan in Mutual Company but not Completed until 1907***

(See letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company, appearing under section 101, sub. 1 (old), Standard Policy Forms.)

Date When Annual Surplus Must Be Ascertained

Extract from letter dated November 28, 1906, from the Superintendent to The Mutual Life Insurance Company.

"I am clearly of the opinion that the sentence: 'Upon the thirty-first day of December of each year, or as soon thereafter as may be practicable, every corporation shall well and truly ascertain the surplus earned by such corporation during said year' does not apply to the present year; it does not become applicable until the end of the year 1907."

No Surplus Paid or Credited on Policy unless Saved or Earned

Extract from letter dated June 7, 1909, from the Superintendent to the Provident Life and Trust Company.

"Of course, if there be no 'surplus to divide at the end of the first year,' or any other year in the life of a policy, there will be nothing paid on or credited to it."

Policy Cannot Defeat Right of Election

Ruling of September 4, 1909.

"Certain policy forms which were submitted contained a provision: 'That unless used as provided for, all distributions of surplus *shall* remain in the hands of the Company.' The ruling thereon was as follows: 'The use of the word *shall* in forms 7, 8, 9, 29 and 37 in the clause relating to the distribution of surplus, is deemed objectionable for the reason that it indicates, primarily, an obligation on the part of the policyholder to leave the dividends with the company without electing annually the manner in which such dividends shall be applied, as required by the terms of section 83 of the Insurance Law. In such a matter the practice of a company should conform to the statute and the substitution of the word *may* in place of the word *shall* will more nearly meet the requirements of section 83.'"

Paid-up Clause Giving Options Lawful

Extract from letter dated August 16, 1910, from the Superintendent to Messrs. Hanson & Dickson.

“ You ask: ‘ If a policy containing such a clause as — upon default in the payment of any premium, this policy will be binding upon the company as participating paid-up insurance for a reduced amount, payable at the same time and on the same conditions as under the original contract — or one similar thereto, may lawfully be issued in this State, at the present time, by a New York or Massachusetts life insurance company.’ ”

To this my answer is, yes, in connection with ‘ the options to which the policyholder is entitled in the event of default in a premium payment after three full annual premiums shall have been paid.’ ”

Sub. 7. Foreign Corporation, Participating Policy

Industrial Participating Policies

Extract from letter dated January 3, 1907, from the Superintendent to the Columbian National Life Insurance Company.

“ Section 83 of the Insurance Law provides that: ‘ A foreign life insurance corporation which shall not provide in every participating policy issued or delivered in this state on or after the first day of January, nineteen hundred and seven, that the proportion of the surplus accruing upon said policy shall be ascertained and distributed annually and not otherwise, and which shall not ascertain and distribute the surplus accruing upon said policies annually either by providing for their payment in cash or their application to the payment of premiums or to the purchase of paid-up additions or for their accumulation as above provided in the case of domestic corporations shall not be permitted to do business within this state.’ This provision applies to ‘ every participating policy issued or delivered in this State ’ by a foreign life insurance company on or after Jan. 1, 1907, regardless of the fact whether it is an industrial or an ordinary policy.”

Automatic Feature of Applying Dividends Does Not Apply to Foreign Life Insurance Companies

Extract from Opinion of Department Counsel, dated October 25, 1900.

“ The question of whether a foreign life insurance company, doing a participating business, will be permitted to issue policies

in this State, which do not provide for the so-called automatic feature of applying the annual dividend to the purchase of paid-up additions in case the policyholder does not affirmatively elect the manner in which he desires his dividends applied, has been referred to me for opinion. Inasmuch as the main purpose of the section is to secure annual distribution in one of the four ways mentioned, and inasmuch as the four ways are set forth specifically for the guidance of domestic companies, it is my opinion that the words quoted have reference to such method of distributing surplus applicable to dividends rather than to that part of the section providing for the automatic feature and, in my judgment, the Department would be justified in permitting foreign life insurance companies to do business in this State whose participating policies provide that the dividends shall be ascertained and divided annually in one of such four ways."

SECTION 84 — VALUATION OF POLICIES

Sub. 1. Valuation of Policies

Statement in Policies "That When Not Valued as Preliminary Term They shall be Valued by the Select and Ultimate Method," Improper.

Ruling of October 22, 1909.

"The matter of valuation of policies is regulated by certain sections of the Insurance Law, chiefly by section 84. That section, as amended in 1906, established the Select and Ultimate method of valuing policies of life insurance and while your Company may elect that method of valuing its policies in this State, a statement that it has so elected is no part of the policy contract. I understand that under the law of your State your policies are valued as Preliminary Term. * * * Section 84, just referred to, forbids that method of valuation in this State and it will probably be much more satisfactory if you will value on the regular tables all policies which you shall issue for delivery in this State."

Sub. 3. Extra Hazards

Standard of Mortality and Valuation of Special Class of Policies

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 84 of the Insurance Law provides a legal minimum standard of valuation for 'all contracts issued on and after the 1st day of January, 1907.' It also provides that: 'The Superintendent may vary the standards of interest and mortality * * * in particular cases of invalid lives and other extra hazards,' etc. This last provision will allow the adoption, for the purposes of valuing your 'Special Class' business, of a table of mortality based on the experience of your company with this class of risks.

Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

Valuation of Policies Issued on Underaverage Lives

Extract from letter dated November 22, 1906, from the Superintendent to New York Life Insurance Company.

"Your favor of the 21st inst., enclosing three forms of Standard life insurance policies modified, 'In order to provide for applicants who are underaverage risks by reason of personal or family history, physical condition or occupation,' has been received. * * *

As to the valuation of this class of policies, I am of the opinion 'that the reserves and the single premiums for life, term, and pure endowment should be those for the true age of the insured plus the advance in age for impairment.'"

Valuation of Policies Issued in Semi-Tropical and Tropical Countries

Extract from letter dated September 17, 1906, from the Superintendent to New York Life Insurance Company.

"Your suggestion: 'That the standard for the valuation of policies and for single premiums for Life, Term, and Endowment be Sesqui-American Mortality for countries in which the Semi-

Tropical premium is charged and Double American Mortality in countries where the Tropical scale is charged and that where the rate of premium used in calculating the premium under the original policy was 3 per cent., the same rate of interest be used in calculating the Semi-Tropical and Tropical reserves on the foregoing bases of mortality,' is approved."

*Standards Adopted by the Superintendent to be Construed as
Legal Minimum Standards*

Extract from letter dated July 26, 1907, from the Superintendent to Metropolitan Life Insurance Company.

"You refer to that provision of section 84 of the Insurance Law which authorizes the Superintendent to vary the standards of interest and mortality 'in particular cases of invalid lives and other extra hazards,' and state:

'The question arises whether the standards adopted by the Superintendent in particular cases of invalid lives and other extra hazards are to be construed as minimum standards. If they are not to be construed as minimum standards, then what Select and Ultimate Table of Mortality should be used to determine the minimum standard.'

In reply I would advise you that the standards adopted by the Superintendent for the cases referred to are to be construed as legal minimum standards."

Sub. 4. Foreign Valuation

Valuation of Policies of Foreign Life Insurance Corporations

Extract from letter dated April 24, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

"Your favor of the 22nd inst., relating to the last sentence of section 84 of the Insurance Law of this State, has been received.

Section 84 provides that the Superintendent of Insurance shall annually make valuations of all outstanding policies, etc., of every life insurance corporation doing business in this State. These valuations are to be made on the net premium basis in accordance with certain prescribed minimum standards. In the case of a corporation of any other State the Superintendent may,

under certain conditions, accept the certificate of valuation of the department of insurance of such other State 'if made upon the basis and according to the standards herein required * * *.'

I am of the opinion that the certificate of valuation of the department of insurance of another State, referred to above, so far as it relates to policies issued on or after January 1, 1907, must be made upon the basis and according to the standards set forth in the section, American Experience Table of Mortality with interest at $3\frac{1}{2}$ per centum per annum, Select and Ultimate method.

The sentence quoted by you provides that any life insurance corporation valuing its policies or any class thereof (issued on or after January 1, 1907), upon standards producing reserves greater than those computed by the legal minimum standard, 'in every such case shall report any excess of its valuations over those computed by the said legal minimum standard,' etc.

I am of the opinion that in every such case where a life insurance corporation of another State charges itself with reserves 'greater than those computed by the legal minimum standard,' the company, in addition to the certificate referred to above, will have to furnish, as formerly, a proper certificate of valuation by the department of insurance of its home State, based upon the standards adopted by the company and also 'report any excess,' etc., in its annual statement."

Valuation of Policies Dated January 1, 1907, and After

Extract from letter dated May 1, 1907, from the Superintendent to the Commissioner of Insurance of Connecticut.

! "Your favor of the 26th ult., in further reference to section 84 of the Insurance Law of this State, was received by due course of mail.

As the section now stands, all policies issued on and after January 1, 1907, must necessarily be valued upon the standards and in accordance with the method taking effect that day, in order that the excess of the company's valuation, if any, over that made upon the legal minimum standard may be determined. Of course this will require that all extra guarantees shall be properly valued."

Valuation of Policies by Insurance Department of Another State

Extract from letter dated January 17, 1908, from the Superintendent to Commissioner of Insurance of New Jersey.

"You write: 'Your State has by law prescribed the Select and Ultimate table with $3\frac{1}{2}$ per cent. interest as the basis for valuation of all policies issued in 1907 and thereafter, but as this is the *minimum* standard, I assume that you would accept the valuation of another State if made upon a basis or bases which would give a higher reserve.'

Your assumption is entirely correct if valuation of policies issued on and after January 1, 1907, is made according to the American experience table at a rate of interest not lower than three per centum per annum."

Sub. 5. Joint Lives

Standards of Valuation for Joint Life and Last Survivor Insurances and Children's Endowments

Extract from letter dated April 3, 1907, from the Superintendent to The Equitable Life Assurance Society of the United States.

"In my opinion the Makehamized American Experience Table may be used for the valuation of, and all other purposes connected with, Joint Life and Last Survivor Insurances.

An extension of the American Experience Table to age O has been made by Mr. James M. Craig and a copy thereof is enclosed herewith. The use of this extension for the valuation of, and all other purposes connected with, Children's Endowments, has my approval."

Sub. 6. Term Policies

Select and Ultimate Valuation of Term Policies

Extract from letter dated March 19, 1907, from the Superintendent to Home Life Insurance Company.

"In valuing term policies, where the reserve computed according to the Select and Ultimate method is less than the reserve upon a one-year term insurance computed according to the Select and Ultimate method, the latter reserve should be used."

Subds. 7 and 8. Industrials and Annuities

Standards of Valuation for Annuities and Industrial Policies

Extract from letter dated March 1, 1907, from the Superintendent to the Secretary of the Actuarial Society of America.

"Section 84 of the Insurance Law of this State contains the following provision: 'As soon as practicable after the first day of January, nineteen hundred and seven, the Superintendent of Insurance shall fix legal minimum standards for the valuation of industrial policies and annuities which shall be valued in accordance therewith.'

I would advise you that, in accordance with said provision, I have fixed as such legal minimum standards for the valuation of industrial policies the 'Standard Industrial Mortality Table' and the 'Sub-standard Industrial Mortality Table,' based on the experience of the Metropolitan Life Insurance Company, and for the valuation of annuities, Emory McClintock's 'Tables of Mortality among Annuitants,' with interest at three and one-half per centum per annum in each case."

When Standards for Valuation of Annuities and Industrial Policies Apply

Extract from letter dated March 11, 1907, from the Superintendent to the Insurance Commissioner of Pennsylvania.

"Replying to your favor of the 7th inst., would state that the standards fixed for the valuation of industrial policies and annuities apply only to business written on and after January 1, 1907. They may, however, be used for issues prior to that date if a company should so elect."

Standards for Valuation of Industrial and Intermediate Annuity Contracts

Extract from letter dated February 24, 1909, from the Superintendent of Insurance to the Metropolitan Life Insurance Company.

"Your favors of the 8th and 19th inst. with enclosures relating to your 'request that additional standards be fixed for the valuation of Industrial and Intermediate annuity contracts,' were received by due course of mail.

I would advise you that for such purposes I have fixed the Standard Industrial Mortality Table and the Intermediate Table of Mortality, with interest at $3\frac{1}{2}$ per cent. per annum, as legal minimum standards of valuation."

Sub. 10. Excess to be Reported

When Excess Valuation Must be Reported

Extract from letter dated March 6, 1907, from the Superintendent to Home Life Insurance Company.

"In your favor of the 1st inst., received by due course of mail, you write: 'As this Company has decided to value the policies issued by it on and after January 1, 1907, on the full American $3\frac{1}{2}$ per cent., we wish to know whether the new law compels us to make a second valuation of this business according to the Select and Ultimate plan and state under its liabilities the reserve according to the Select and Ultimate and the excess of the full American $3\frac{1}{2}$ per cent. over the Select and Ultimate.'

Section 84 of the Insurance Law of this State provides that, when a company adopts standards of valuation giving results in excess of those based on the minimum standards set forth in the section, the amount of such excess must be reported by the company in its annual statement."

Statement of Excess Valuation

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"You ask for a ruling on the following point:

'When a company holds the reserve on the full American 3 per cent. must it state the excess of that reserve over the American 3 per cent. Select and Ultimate or over the American $3\frac{1}{2}$ per cent. Select and Ultimate in order to comply with the requirements of section 84?'

* * * * *

I am of the opinion that this (section 84), requires a statement of the excess of the reserve valuation based on the Company's own standards over one made in accordance with the Select and Ultimate method on the legal minimum standard American Experience $3\frac{1}{2}$ per cent."

Double Valuations, and Reports of Excess Valuation

Extract from letter dated December 29, 1908, from the Superintendent to the Mutual Benefit Life Insurance Company.

" * * * Provisions of our law require double valuations of all policies issued on and after January 1, 1907, by all companies using standards and methods of valuation giving results in excess over those computed by the legal minimum standard set forth (in section 84) * * *."

SECTION 86 — WHAT SHALL BE ALLOWED AS ASSETS; IMPAIRMENT OF CAPITAL STOCK

Method of Computing Reserve by Companies Writing Liability Insurance

Instructions sent December 31, 1909, to all companies writing liability insurance under subdivision 3, section 70, reporting to the department.

"It appears that some of the liability companies issue workmen's collective (workmen's wage) or workmen's indemnity policies and employers' liability policies on the same risk or plant.

In all cases where the two classes of insurance are carried on the same risk, all notices of injury received, whether at the liability claim department or any other department or agency, must be treated, for the purpose of computing the liability loss reserve provided for in section 86 of the Insurance Law, as notice of injury received under liability policies unless it is definitely known that the accident occurred outside the hours or the territory covered by the employers' liability policy, although the notices may only result in payments within the limit of the workmen's collective or indemnity policies.

The utmost deduction which can be allowed for payments on these notices will be the amount of the excess of the payment over the payment required by the workmen's collective or indemnity policy. To illustrate: Suppose a workmen's collective policy providing for half wages is issued, covering the employees in a factory where the employer also carries a liability policy in the same liability company. Any notices received under the workmen's collective policy must also be treated as notices received under the liability policy. If an accident should only re-

sult in a payment of the amount required by the workmen's collective policy no deduction should be made in computing the loss reserve, although the notice reserve must be charged. If the accident should result in a payment in excess of the amount required under the workmen's collective policy, the excess may be deducted. For example, if the payment under the workmen's collective is \$40.00 and \$5.00 extra is paid to obtain a full release, then \$5.00 can be used as a deduction in computing the loss reserve."

SECTION 88 — SURRENDER VALUE OF LAPSED OR FORFEITED POLICIES

Sub. 9. Domestic Corporations. New Policies

Amendments to Law as to Surrender Values Not Applicable to Foreign Life Insurance Companies

Extract from letter dated June 14, 1906, from the Superintendent to the Assistant Secretary of State for Louisiana.

"It is our understanding that the Special Legislative Investigating Committee did not apply the amendments as to surrender values to foreign life insurance companies for the reason that section 88, as existing before the amendments of this year, applies specifically to domestic companies. Further, that the arguments presented to the Committee at the time of the public hearings, calling attention to comity between states, impressed the Committee with the idea that it would be best to follow the policy of the old law in applying the new provisions."

Cash Surrender Values

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"There is nothing in the laws of this State to prohibit the inclusion of cash surrender values in policy contracts."

Surrender Values Prescribed in Law are Minimum Values

Extract from letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company.

"The surrender values, referred to in the third paragraph of section 88 of the Insurance Law, are minimum values and larger

values may be allowed by companies. The only limitation in the paragraph is that which is placed upon the surrender charges which may be made by the companies."

Surrender Values on "Special Class" Business

Extract from letter dated August 27, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Section 84 provides that: 'The Superintendent may vary the standards of interest and mortality * * * in particular cases of invalid lives and other extra hazards,' etc. This last provision will allow the adoption, for the purpose of valuing your 'special class' business, of a table of mortality based on the experience of your company with this class of risks.

Section 88 provides that the surrender values of policies issued on and after January 1, 1907, shall be based on the reserves computed according to the standard adopted in accordance with section 84 of the Insurance Law."

Sub. 18. Weber Annuities Bill

Forms Required Under Amended Section Must be Submitted to Superintendent

Extract from letter dated June 2, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"Your favor of the 1st inst. is received. You write: 'The Governor having approved Mr. Weber's bill, which we have called the annuities bill, the question arises whether, in order to issue policies, we have got to have a new standard form approved by the Department and whether, in order to be able to approve it, the Department has got to give notice to all the companies as formerly.'

To this my answer is yes.

You further inquire: 'The question we ask you is whether we can amend the standard form already approved by your Department by incorporating into it provisions for proportionate parts of the paid-up annuity without going into the prescribed formula as to standard forms, notifying other companies and having a hearing? In other words, is not the passage of this amendment sufficient authority for you to approve the amendment to the form already adopted conforming to the new statute?'

To this my answer is no."

Waiver

Ruling of August 7, 1909.

"In the application blank, part 2, the insured is required to make this statement: 'I hereby agree * * * that the provisions in such policy, in case of failure to pay premiums, shall be held to be in substitution for and in waiver of the rights of all parties hereto under any law of any state relating to the lapse or forfeiture of policies of life insurance.'

The use of this form in the state of New York cannot be permitted. See sections 88, 92 and 101 (new) of the Insurance Law."

SECTION 89 — DISCRIMINATIONS PROHIBITED

Sub. 1. Class Discriminations

Definition of the Word "Class"

Extract from letter dated April 26, 1907, from the Superintendent to the Deputy Insurance Commissioner of Alabama.

"Your favor of the 23d inst., relating to the meaning of the word 'class,' as used in the Insurance Law, has been received.

The first sentence of section 89 of the Insurance Law of this State reads as follows: 'No life insurance corporation doing business in this state shall make any discrimination in favor of individuals of the same class or of the same expectation of life either in the amount of premium charged or in any return of premium, dividends or other advantages.'

I am of the opinion that, as used in this sentence, the word means a number of persons having certain characteristics in common, as occupation, education and habits of life."

Insurance on Bank Officials and Employees

Extract from letter dated May 20, 1907, from the Superintendent to Bankers Life Insurance Company.

"You quote the first sentence of section 89 of the Insurance Law and state: 'We believe that the restriction quoted above does not contemplate prohibiting us from writing bank officials and bank employees *as a class* at a lesser premium than the general risks assumed by the Company, but before so doing we desire to submit the matter to your Department for its ruling.'

In my opinion your contemplated action falls within the prohibition of the section."

In re "New \$5,000 Ordinary Life Policies." Individuals of the Same Class

Extract from letter dated July 19, 1909, from the Superintendent to C. B. & H. M. Taylor.

"Your favor of the 15th inst., relating to the new \$5,000 Ordinary Life policy of the Metropolitan Life Insurance Co., has been received.

The Department does not consider that this policy in itself violates the provisions of section 89 of the Insurance Law; it may be had by anyone able to pass the required medical examination and pay the premium."

Discriminations in Cash Surrender Values

Extract from circular letter dated July 27, 1909, from the Superintendent to each Life Insurance Company doing business in this State.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * *

"III. That discriminations between policyholders of the same class in the granting of cash surrender values and paid-up insurance on lapsed policies are interdicted by section 89, though not strictly paid, allowed or given as an inducement to a person to insure."

Failure to State Rate of Interest May Result in a Discrimination

Ruling of August 7, 1909.

"A definite rate of interest on premiums for the period of grace should be stated in the policy. If the rate of interest is not definitely fixed by the terms of the policy, there is at least a possibility that the rate would be varied in some cases, which would be a violation of section 89 of the Insurance Law."

"No Discrimination" Where Reserve Value of a Small Paid-Up Policy is Applied Towards Purchase of New Insurance

Extract from letter dated September 1, 1909, from the Superintendent to the Manhattan Life Insurance Company.

"You state: * * * 'What we desire to know is whether the department's third ruling implies that section 89 prohibits the

company from applying in such cases (see head note), the reserve value calculated according to the Amn 4½ per cent. to the purchase of such new insurance, although such reserve value may be somewhat larger than we would regularly pay in cash for an absolute surrender of the paid up, provided that there is no discrimination and that every policyholder of the same class has the same opportunity to take the new insurance and can pass the same medical examination that would be required for the revival of the original policy.'

To this my answer is no."

Use of Forms for Antedating Policies Prohibited

Ruling dated August 9, 1900.

"All the 'C' forms are objectionable for the reason that the policies are antedated for the avowed purpose of allowing the policyholder to take advantage of the premium rate at an age one year younger than his true age. These 'C' forms cannot be approved for use in this State, since the use of this form would be in violation of both the letter and the spirit of section 89 of the Insurance Law, which prohibits discriminations."

Antedating of Policy

Extract from a letter dated February 21, 1910, from the Superintendent to the Columbian National Life Insurance Company.

"The department has ruled that the dating back of a life insurance policy in order to give the insured the benefit of a younger age is clearly discriminatory and falls within the prohibition of section 89 of the Insurance Law; that the ruling applies to all life insurance corporations doing business in this State; that the prohibitions of section 89 of the Insurance Law are not limited to the issues in this State of a life insurance corporation doing business in this State; that the law does not prohibit dating back absolutely; it does prohibit discrimination; and that the ruling relating to dating back a life insurance policy in order to give the insured the benefit of a younger age does not apply to those cases of exchange of policies which occasionally occur in the regular transaction of a company's business. The department cannot undertake to advise life insurance agents as

to the application of any of these rulings to any individual case that may arise in the transaction of an agent's business. In such case the agent should be advised by his own counsel or that of his company."

Extract from a letter dated May 12, 1910, from the Superintendent to the Prudential Insurance Company.

"You state: 'We have under consideration * * * the plan of issuing a new policy in lieu of the old one and dating it back for the length of time the original policy was in force. For instance, a policy issued in the beginning of 1907, at age 30, continued in force for two years and then lapsed for one year. Application is now made for revival of the original policy and the insured is unable to pay the arrears in cash. The plan would be to issue a new policy dated back two years and as of the age of the policyholder two years ago. The effect of this would be for the policyholder to have a policy treated as in force for the length of time premiums had actually been paid on the original policy. The premium remaining the same, the amount of the policy would of course be slightly reduced on account of the age being changed to a higher age.'

I am of the opinion that your proposition would not conflict with my ruling relative to the dating back of a life insurance policy, in order to give the insured the benefit of a younger age."

Extract from letter dated June 16, 1910, from the Superintendent to the Northwestern Mutual Life Insurance Co.

"My letter of April 27, 1910 * * * as well as my letter of May 27, 1910 * * * in relation 'to a change of a policy recently issued' were both based upon the assumption that such change was a mere incident of the business, not an agent's scheme 'to beat' the provisions of section 89 of the Insurance Law. If an insured person in good faith makes application to his company to increase the amount of his policy, produces satisfactory evidence that there has been no change for the worse in his physical condition, pays down the premiums on the amount of the increase for the elapsed term and the interest on such premiums, the department would not be inclined to question such change.

If, however, it be found that agents are inducing persons near their change of age to apply for a small amount of insurance upon the understanding that it may be increased at the original rate of premium after the change of age, the department would feel called upon to take steps to put a stop to such a practice.

* * * As to the application and the length of time in which request may be made, I would advise you that section 58 of the Insurance Law permits but does not require the application to be made a part of the contract and that the length of time would be such as would be considered reasonable for reinstatement of a policy.

The Mere Procuring of Prospects not a Discrimination

Extract from letter dated January 4, 1910, from the Superintendent to the Mutual Life Insurance Company of New York.

"I am in receipt of your favor * * * with enclosures reading as follows: 'Dear Sir: In arranging my business for the coming year, I have concluded to make you a special proposition and ask if you would be willing to act as a confidential helper to me, in securing business in your section. You as a banker are in a position to know the financial standing, etc., and to suggest names of those who might possibly be interested in a nice life insurance policy. I will do all the work in closing the business and allow you a nice commission on each case I close * * * .'

In reply to your inquiry, I would advise you that the employment by you of a person for the bona fide purpose of procuring prospects would not in itself be a violation of section 89 of the Insurance Law."

Gifts to Prospective Policyholders Prohibited

Extract from letter dated June 30, 1910, from the Superintendent to Michael E. Pue.

"You ask the following questions: ' (a) Is it lawful for a life insurance agent to sell a policy of life insurance to a person at the rate stipulated by the company and to collect the entire pre-

mium and, in addition, to give, without cost, a building lot valued at \$50. (b) Suppose that instead of giving the lot to the applicant, a nominal charge of \$1 was made, although the lot would not be sold to anyone not taking insurance for less than \$50. Would this transaction be unlawful?’

I am of the opinion that such a transaction as is described in either of your questions would be a violation of section 89 of the Insurance Law.”

Sub. 4. Rebate of Premium

Payment of Commission to Agent on a Policy on His Own Life

Extract from letter dated June 5, 1907, from the Superintendent to Mr. T. R. Fell.

“Under date of the 3d inst. you ask to be advised: ‘If under the laws of this State I may pay to an agent who holds a license from your Department and a contract with this Company, a commission on a policy on his own life in this Company.’

I am of the opinion that this may not lawfully be done. Neither section 89 of the Insurance Law nor section 577-k of the Penal Code (now § 1200 of the Penal Law), contains an exception in favor of agents of life insurance corporations.”

Payment of Brokerage to Agent on a Policy on His Own Life

Extract from letter dated July 7, 1908, from the Superintendent to John Cowan.

“I am of the opinion that a life insurance agent cannot lawfully receive a brokerage commission on a premium on his own life insurance policy.”

Commissions to Agent on Policy on His Own Life a Rebate

Extract from letter dated May 26, 1909, from the Superintendent to Mr. Charles F. Adams.

“In your favor of the 25th instant you ask to be advised ‘as to whether or not an agent is allowed commissions on his own policy.’

In my opinion such an allowance would be a violation of the provisions of section 89 of the Insurance Law.”

Commission to Agent on a Policy on His own Life Not Lawful

Extract from letter dated August 3, 1909, from the Superintendent to
Mr. M. Shayeson.

"I am of the opinion that a life insurance agent cannot lawfully receive a commission on a premium on a policy of insurance on his own life; neither section 89 of the Insurance Law nor section 1200 of the Penal Law contains an exception in favor of agents of life insurance corporations."

Commission to Bona Fide Agent on a Policy on His Own Life Lawful

Extract from a letter dated November 22, 1909, from the Superintendent to the New York Life Insurance Company.

Previous rulings reversed.

"* * * I feel that I can safely reach the above conclusion for the reason that since amended section 91 went into effect in May last, absolute discretion is vested in the Superintendent to reject all applications for life agents' certificates and that through such discretion any tendencies in the direction of appointing agents merely that insurance prospects may secure rebates can be checked."

Note Without Interest Accepted for Premium Equivalent to Rebate

Extract from letter dated May 28, 1909, from the Superintendent to
Mr. Rudolph Bohm.

"Without passing upon the propriety of an agent accepting a note when he is expected to receive cash in payment of a life insurance premium, I agree with you 'that a note accepted in payment of a life insurance policy without the legal interest charge is equivalent to a rebate.'"

Payments of Commissions to Sub-Agents for Purposes of Remitting Cost of Insurance Prohibited

Extracts from letters dated July 29 and August 4, 1908, from the Superintendent of Insurance to the John Hancock Mutual Life Insurance Company.

"Your favor of the 24th inst. relating to 'a proposition from an 'Exchange' through one of our (your) general agents to re-

insure for it the members of the Exchange who are acceptable to the Company' was received by due course of mail.

Referring to a certain fund belonging to the Exchange you state: 'There are several sources by which this fund is to be augmented and one source proposed was the sub-agent's commission which our general agent was to allow a paid member of the Exchange, he acting under a proper license from the Department, who in turn proposed to pay the amount of his commissions to the Exchange.'

I am of the opinion that the payment of commissions to these so-called 'sub-agents' may not lawfully be done. Neither section 89 of the Insurance Law nor section 577-k of the Penal Code contains an exception in favor of 'sub-agents' of life insurance corporations. * * *

The question whether the 'sub-agent' is or is not a member of the 'Exchange' is not material. The payment to the 'Exchange' by the one acting as 'sub-agent' would, in my opinion, be considered as a rebate within the meaning of the New York law."

"Board Contracts" are Prohibited

Extract from letter dated November 6, 1908, from the Attorney-General to the Superintendent of Insurance.

"Your letter of October 10th was duly received, in which you request an opinion as to whether so-called 'special contracts,' frequently described as 'board contracts,' are prohibited by section 89 of the Insurance Law, as amended by chapter 326 of the Laws of 1906. In my opinion contracts so described would come within the prohibitions of the section as it now stands."

Sub. 6. One Year Term Premium

Rates for Term Insurance on Impaired Lives

Extract from letter dated May 20, 1907, from the Superintendent to The Washington Life Insurance Company.

"The renewable clause in a term policy is optional with the company issuing the contract and it may be ruled out from your regular form when you desire to withhold the privilege.

You state that you have certain rates for renewable terms, and ask: 'In your opinion, would discrimination contrary to law

be made if these rates were used for Non-renewable Term insurance where the lives were not up to the same standard as to hazard as the lives contemplated in making these rates for Renewable Term insurance?'

In my opinion, this would not be discrimination within the meaning of the law, provided there be no question as to the sufficiency of the rates."

SECTION 91 — BUSINESS TO BE ACCEPTED FROM LICENSED AGENTS ONLY; AGENT'S CERTIFICATE OF AUTHORITY

Sub. 1. Application of Section

Field Canvassers of Insurance Information Must be Licensed Agents

Extract from letter dated June 23, 1909, from the Superintendent to Mr. John R. D. Bristol.

"For your Mr. Rudolph Recht you make the following inquiries: 'Inquiry 1. Can I, or any other agent of this company (without first obtaining an Agency License and Company Contract), under the present State Laws and Company Contract relations, employ one or more men whose specific duties shall be to canvass the field for birthdays and insurance information, such employees to receive a stipulated salary, which salary is not to be affected by the amount of business closed through the information obtained through the employee's efforts, the employee having absolutely no commission interest in any business which may be obtained as a result of the information he brought into the office?'

'Inquiry 2. I, as well as other agents are employing office help to whom is being paid a specific salary for the office duties they are required to do. Could these men, from time to time, be detailed to cover an office route list, not to solicit life insurance but to obtain birthdays and insurance information where possible, represent themselves as being sent for this information by their employer and such employees to receive absolutely no compensation for this work other than their regular salary which they are getting for the office duties they are performing and not to be in any way interested in any business which may be written resulting from information which they might procure? Can an

agent so employ an office help without obtaining a State Insurance License and also without making an Agency Contract? If the making of an Agency Contract would be imperative, how can I make a contract with an office employee whose compensation is for office work and who is to receive absolutely no recompense on amount of insurance written as a result of information obtained by him.'

I am of the opinion that men employed as is proposed above must be licensed agents."

Applications for Annuities May be Accepted from Person Not Licensed Provided no Commission be Allowed

Extract from letter dated July 23, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"In your favor of the 22d inst., just received, you write as follows:

'In your opinion does section 91 apply to annuities? Applications for annuities frequently come from lawyers, brokers, and others who are not life insurance agents. It is natural for those in charge of estates to advise annuities for certain classes of people. Can we not issue these without the services of a licensed agent?'

To this my answer is yes, provided no commission be allowed for the consideration received."

Superintendent Has Discretionary Power to Issue or Refuse License to Agent

Extract from Opinion of Department Counsel, dated April 18, 1910.

"Under section 91 of the Insurance Law, you have the discretion to issue or refuse to issue a license. The law was moulded in its present form apparently with the express purpose of giving the Superintendent the opportunity to use his discretion for the betterment of the so-called field conditions of life insurance. * * * Having given you a wide discretion in the right to grant or refuse to grant a license, it would seem that the law does not require you to test every question presented concerning a man by the cold rules of evidence."

Sub. 3. Agents' Applications for Certificates of Authority

Rulings of the Superintendent dated May 17, 1909, on the law which became operative May 7, 1909.

First. These applications must be signed by the proposed agent and countersigned by the company he is to represent.

Second. Agents representing more than one company must file a separate application for each company to be represented, such application to be approved and countersigned by such company. There is no provision in the Insurance Law recognizing a general license authorizing the holder thereof to represent several life companies.

Third. The new regulations apply to all agents for life insurance companies, whether such companies be New York companies or companies organized under the laws of other states or countries.

Fourth. The power given the superintendent to refuse to issue certificates of authority will be exercised in all cases where answers are unsatisfactory.

Fifth. Agents appointed on company applications filed on or before May 6th, will not be required to apply under the new law until January 1, 1910, they being authorized agents under the old law until that date."

Sub. 4. Form of Application for Agent's Certificate of Authority Under the Law Which Became Operative May 7, 1909

Authorized by the Superintendent May 12, 1909

Read section 91 of the Insurance Law as amended May 7, 1909, on reverse side of this application.

STATE OF NEW YORK — INSURANCE DEPARTMENT

Application for Agent's Certificate of Authority

BY

Name:

*Business address:

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State.

(If a non-resident, fill in this line also; see footnote.)

* A non-resident applicant must insert at "Business address" (a) home business address and (b) a business address in this State indicating the county in this State in which he has an office for the transaction of business. Thus, a non-resident may show two business addresses; he must show one business address in this State.

Residence address

Insert (a) Street and Number, (b) City or Town, (c) County, (d) State.

Company you desire to represent.....

Are you to act as Soliciting Agent, or Managing or General Agent?.....

Present occupation

(Give full details)

.....
.....

What other or further occupation have you been engaged in during past twelve months?.....

Do you intend to devote your time wholly or in part to soliciting life insurance?.....

What business other than life insurance, if any, are you now engaged in or do you intend to carry on?.....

What previous experience have you had in the life insurance business?.....

If a soliciting agent, give approximate amount of insurance, or number of policies, if any, written by you and paid for during past twelve months.....

For what Companies?.....

This application is made for the purpose of procuring a Certificate of Authority from the Superintendent of Insurance of the State of New York to act as an agent of the.....; and I warrant the answers and statements above made to be full, complete and true.....

.....
(Signature of person desiring certificate.)

Witness

.....

This application is approved, and we request that the Certificate of Authority asked for be granted.

.....Company

By.....

SECTION 92 — NO FORFEITURE OF POLICY WITHOUT NOTICE

Grace on Monthly Premium Policy. "Industrial Insurance"

(See extract from letter dated May 9, 1907, from the Superintendent to the Washington Life Insurance Company, quoting letter from Haley Fiske to the Superintendent, in which "Industrial Insurance" is defined, given under section 101, on page 229.)

Assignment of Policy Effective Without Notice to Company

Ruling of August 9, 1909.

"The statement (in a life insurance policy) that no assignment shall *take effect* until written notice thereof shall be given to the Company, is not proper. An assignment of a policy of life insurance, when made in regular form by the proper party and for a sufficient consideration will 'take effect' as between the parties to such assignment, whether or not written notice of the assignment be given to the insuring company. The form which is in common use seems to be better. This provides as follows: 'No assignment of this Policy shall be *binding upon the Company* unless the original assignment or a duplicate thereof be filed at its Home Office.'"

Waiver

See Section 88, Subdivision 18.

Limitation of Action on a Policy

Ruling of August 3, 1909.

"The attempt to limit to one year the time for commencing an action on the policy contract cannot be approved. Section 92 of the Insurance Law provides that on a *forfeited policy* an action may be instituted within *two years* from the day upon which default was made in paying the premium, etc. * * * In the case of an insurance policy, which matures as a death claim, or as an endowment, it seems that the ordinary limitation established by the Code of Civil Procedure should apply."

SECTION 94 — ELECTION OF DIRECTORS

Obtaining Copies of Lists of Policyholders

Extract from letter of April 12, 1909, from the Superintendent of Insurance to Mr. Sol Rosenblatt.

"The Superintendent has made the following ruling in regard to obtaining copies of lists of policyholders on file in the Department:

'Lists of policyholders on file shall be subject to inspection and copy by any policyholder, or by his authorized representative, at any time during business hours. A policyholder appearing in person must present his policy, his last receipt for premiums paid and satisfactory proof of his identity. A policyholder designating a representative to inspect or copy from a list on file in the Department will be privileged to appear by only one representative at a time. This representative must produce a written designation conferring authority in each instance, stating the name of the company insured in, the number of the policy, the date to which premium has been paid, and name of the appointee; the designation must be duly signed by such policyholder and acknowledged by him before a notary public.'

SECTION 96 — LIMITATION OF NEW BUSINESS

Meaning of "Issued" as Used in This Section.

Extract from letter dated July 23, 1909, from the Superintendent to the New York Life Insurance Company.

"The Department understands that the meaning of the word 'issue' in section 96 is that only policies which have actually been paid for and of which the company writing them has received advices, so as to make proper entries on its books on or before December 31st in any given year, should be considered in estimating the gross amount of new business 'issued' in that year; that is, always granting that such company has, in good faith, used all reasonable diligence to secure such advices and make such entries."

Annuity Contracts of Any Form Not Within Provisions of Section

Extract from letter dated August 2, 1909, from the Superintendent to the New York Life Insurance Company.

"I would advise you that in my opinion annuity contracts, whether they are survivorship annuities or not, do not come within the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

SECTION 97 — LIMITATION OF EXPENSES

Sub. 1. Application of Section

Provisions Regarding Contracts not Retroactive

Extract from letter dated August 16, 1906, from the Superintendent to The Western Underwriter.

"The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Provisions Regarding Contracts not Retroactive

Extract from letter dated February 12, 1907, from the Superintendent to Mr. W. L. Guffin.

"Your favor of the 4th inst., in re Nylic agents of the New York Life Insurance Co., has been received. From an opinion of the Attorney-General bearing date December 28, 1906, I quote the following:

First. The legal relation created between the company and the soliciting agent by membership in 'Nylic for Agents,' is contractual.

Prior to the insurance legislation of 1906, there was no legal obstacle in the way of a life insurance company of this State making the arrangement with agents embodied in membership of 'Nylic for Agents.'

Third. The 'Nylic' contract, above referred to, made prior to April 27, 1906, is not subject to the provision of the law of 1906, prohibiting 'All bonuses, prizes and rewards, and all increased or

additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for.'

Fourth. The 'Nylie' arrangement and the legal relation, above referred to, being contractual and valid prior to April 27, 1906, the insurance statute passed on that day does not interfere with the 'Nylie' contract with agents then members of 'Nylie.'

Fifth. In classifying the expenses of the company's business, this 'Nylie' expense should be classified as a general expense of the company.

Sixth. Under the provisions of the Insurance Law, as amended in 1906, and particularly the limitations and prohibitions of sections 97 and 98, the plan and agreements or contracts of 'Nylie' for agents cannot be continued for agents employed after such amendments took effect and any 'Nylie' contracts made after the taking effect of the amended statute are contrary thereto and illegal and void.'

See the case of *Boswell v. Security Mutual Life Insurance Co.*, 193 N. Y., p. 465, in which the court said (page 473): 'We are of opinion that section 97 of the Insurance Law should not be construed as retroactive and, therefore, it does not apply to the contract before us. If construed otherwise it would contravene the provision of the Federal Constitution that no State shall pass any law impairing the obligation of contracts.'

*Section is to Have no Effect Whatever upon Contracts with Agents
Entered into Before its Passage*

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

" * * * You call my attention to two opinions rendered by my predecessor under dates of January 27, 1908, and December 28, 1908, and ask the following questions:

'First. In the case of an agent's contract made before the enactment of section 97, providing a rate of compensation for first year business greater than that permitted by section 97, as in the case of *Boswell*, what disposition should be made of the amount paid to such agent in excess of the amount permitted by section 97?

Second. Should a life insurance corporation, which has outstanding agency contracts of the character above mentioned, be held to the limitations prescribed in section 97 as to expenses for new business acquired through such agencies?

Third. Should the limitations prescribed in section 97, as to expenses for new business, be applied to each individual agent; to the aggregate expenses of all agencies; or only to such agents as hold contracts made in accordance with the provisions of section 97?

Fourth. What provision, if any, should be made in Schedule Q under the head of Mortality gains (by Select-and-Ultimate method) for business acquired through an agent holding a contract of the character above mentioned?'

* * * I therefore advise you to disregard the opinion of the deputy Attorney-General dated December 28, 1908, and to be guided as to the proper interpretation of this law by the opinion of January 27, 1908, setting forth the decision of the Appellate Division in this case. (*Boswell v. Security Mutual Life Insurance Co.*, 119 App. Div. 723.)

I also advise you that under the decision of the Court of Appeals (193 N. Y. 465), this section is to have no effect whatever upon contracts with agents entered into before its passage.

The answers to your four questions follow logically and clearly from these two principles:

First. The amount paid to each agent in excess of the amount which would be permitted by section 97 will be carried simply as a general expense of the company if he procured business under a contract which antedated the enactment of this section.

Second. The corporation is not held to the limitations prescribed in this section as to expenses for new business acquired through agents acting under such contracts.

Third. The limitations prescribed in section 97 should be applied to each individual agent acting under contracts which are subject to this section.

Fourth. The 'Mortality gains (by Select-and-Ultimate method)' reported in schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or

another upon the amount which the company can expend for new business.

In considering this question, it should be borne in mind that every contract which antedates the enactment of this section is not excluded from its limitations. Only those contracts so entered into which have a definite period to run which has not yet expired are so exempt."

(See the opinion in full, beginning at page 107, Part V, 1909.)

Interpreting the Language "On Its Behalf"

Extract from letter dated August 22, 1907, from the Superintendent to Mr. Miles M. Dawson.

"Replying to your inquiry dated the 22d inst., with reference to rulings of the Insurance Department by letters dated August 19 and 20, respectively, under section 97 of the Insurance Law limiting expenses of life insurance corporations, and in response to your request for an opinion interpreting the language 'on its behalf' wherever found in said section, I beg to advise you that this Department construes the entire section in accordance with its spirit and purpose to limit the amount which may be paid by life insurance corporations for compensation and expenses as therein defined and in doing so give force and effect to its entire phraseology. The specific words 'on its behalf' appear in connection with provisions prohibiting payments by a company for new business, for expenses in any year, for applications for insurance or collection of premiums without determination of amount in advance and for advances to solicitors of insurance without adequate collateral security. They unmistakably are intended to prevent expenditures or advances by any person, firm or corporation on behalf of a life insurance company for the forbidden purposes, without regard to ownership of the funds or of methods employed, and include the incurring of any liability."

Sub. 2. First Year's Expenses, Loading and Mortality Savings

Extract from letter dated June 29, 1906, from Metropolitan Life Insurance Company to the Superintendent of Insurance.

"The Metropolitan Life Insurance Company writes a large number of policies through its Ordinary Department, where premiums are payable quarterly or semi-annually. It follows,

therefore, that on all policies issued in April, May or June, 1906, on a quarterly basis and continued in force, the last quarter of the first year's premium will be due in January, February and March, 1907. Similarly, those policies issued in July, August and September will have two quarters of the first year's premiums falling due in 1907 and those policies issued in October, November or December, 1906, will have three quarters of the first year's premium falling due in 1907.

Agents' commissions are not due or payable until the premium on which the commissions are based are paid; so that the agents' commissions on first year's premiums paid in 1907 on policies issued in 1906 would constitute a part of the expenses on first year's business and the question arises under section 97 of the Insurance Law:

First, whether the company will be permitted under the provisions of that section to take credit for the loadings and margins therein provided on such first year's premiums received in 1907 on the business issued in 1906, and,

Second, whether that section of the law contemplates the computation of debits and credits on the business actually issued in the year 1907. If it does contemplate such a computation, then does it follow that in calculating the first year's premiums received in the year 1907 on the business issued in that year the company is to exclude all the first year's premiums received on the issue of the year 1906 and also the corresponding expenses which the company paid on account of such premiums.

The superintendent replied to the above on the 9th July, as follows:

' Computations for expense are to be made by calendar years. They should not include fractional payments made on issues of the previous year, but should include fractional payments on accounts of issues of the year in question, to be received in the following year.' "

Extract from letter dated November 23, 1906, from the Superintendent to Connecticut General Life Insurance Company.

" Where applications and medical examinations are made, before January 1, 1907, but first premiums are not paid until after that date, the policies must be on the Standard forms and the premiums enter into the computation."

Extract from letter dated October 28, 1907, from Superintendent to Mr. Miles M. Dawson.

"Your favor of the 24th inst., referring to my letter to the Metropolitan Life Ins. Co. dated July 9, 1906, has been received.

Relating to the ruling contained in the letter referred to, you write as follows: 'As I understand your ruling, it is to the effect that the amounts to be allowed under the limitation of first year's expenses are: First, the loadings on new premiums received during the year for business issued during the year; and second, the loading on deferred and uncollected premiums, not yet received, for the new business issued during the year and the select and ultimate margin for all policies issued during the year, computed as follows, viz.: (a) The full margin upon all policies still in force and a proportionate part of the margin for all policies issued and upon which an installment was received but which have lapsed, these constituting the entire provisions according to the statute and that on the other side there should be charged all sums expended by the company or for which it has become liable under the following heads, viz.:

First. Commissions on first year's premiums on policies issued within the year, including commissions to be paid upon the deferred and uncollected first year's premiums on the same.

Second. For compensation not paid in commissions for services in obtaining new insurance, exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices.

Third. For medical examinations and inspections of proposed risks, and,

Fourth. For advances to agents and also all sums expended by or for which any person, firm or corporation on behalf of the company or under any agreement with the company, has become liable, for the same purposes, including first year's commissions or other compensation or advances to such agent, because of new business secured by himself personally, in excess of the sums payable to the agent under his contract with his company.

I take it that the idea is, according to your construction of the law as aforesaid, that the company must report as its true cost of new business, first, the sums paid or to be paid by it on account of the new business under each of these heads and also

any additional sums paid or to be paid by its agents to sub-agents or otherwise over and above what the company has paid or is to pay, which sums are plainly intended by the statute to be included as a part of the cost of new business to be limited, as stated.'

Your understanding of the ruling and the conclusion you deduce therefrom are entirely correct."

Writing of Deferred Dividend Policies After 1906

Extract from letter dated September 14, 1906, from the Superintendent to The Manhattan Life Insurance Company.

"Where applications and medical examinations are made, and binding receipts are given on payment of the premiums on or before December 31, 1906, the company may write the policies on deferred dividend plans. In such cases the premiums and the commissions thereon should be eliminated from the computations provided for in section 97 of the Insurance Law.

Where the policies are applied for in 1906, but not issued or delivered, nor premiums thereon paid until (on or) after January 1, 1907, they must be written on the forms prescribed in or provided for in section 101 of the Insurance Law. In such cases the premiums and the commissions thereon would enter into the computations provided for in section 97."

Computations for Expenses by Calendar Years

Extract from letter dated November 15, 1906, from the Superintendent to Mr. W. A. Barton.

"Your favor of the 12th inst., relating to limitation of expenses of foreign life insurance companies, has been received.

Computations for expenses are to be made by calendar years irrespective of the localities where policies are issued or delivered.

The provisions of the Insurance Law relating to the expenses of life insurance companies, apply to all life insurance companies doing business within this State."

Limitation on Margins for Expenses on Term Policies

Extract from letter dated October 29, 1906, from the Superintendent to Home Life Insurance Company.

"Your favor of the 23d inst., relating to limitation of expenses under section 97 of the Insurance Law, especially in connection with short term insurances, was received in due course.

Your proposal: 'To restrict expense to a maximum value at any age of the office premium less one-half of the net single premium for one year's term insurance on the basis of American 3½ per cent., which assumes the mortality in the first year of insurance as 50 per cent. of the tabular rate in accordance with section 84 of the new law,' has my approval."

First Year's Expense Limitations upon Term Premiums

Extract from letter dated August 19, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of section 97, and particularly of the language at the close of the first sentence: 'and the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium or instalment thereof has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation as provided in section 84 of this chapter' and with direct reference to the amount which is set free for first year's expenses under this provision in the case of premiums on term policies.

I am of the opinion that the law permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation; in the case referred to, not to exceed the 'net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate table up to the next anniversary of the policy.'"

Loadings on Annuity Contracts

Extract from letter dated July 26, 1907, from the Superintendent to Home Life Insurance Company.

"After referring to the limitations of the section as to expenses other than investment expenses, you write as follows:

'We are uncertain whether the loadings on the various forms of annuity contracts namely: Immediate, Temporary, Survivorship or Deferred are to be included in the calculation of the amount of expense to which we may go either on first year's business or on the total business of the Company. A ruling on this point will be very greatly appreciated.'

In my opinion the loadings on the various forms of annuity contracts should be included in the calculations referred to."

Annuity Contracts of Any Form Are Within Provisions of Section Relating to Expenses

Extract from letter dated August 2, 1909, from the Superintendent to the New York Life Insurance Company.

"I would advise you that, in my opinion, annuity contracts, whether they are survivorship annuities or not, do not come within the provisions of sections 96 and 97 of the Insurance Law, except as to the provisions of the latter section relating to expenses other than investment expenses."

Sub. 3. Select and Ultimate Method of Valuation

Estimated Mortality Savings According to the Select and Ultimate Method on Term Policies

Extract from letter dated April 16, 1907, from the Superintendent to The Union Central Life Insurance Company.

"As to expense allowance, the law permits such as can actually be realized under the Select and Ultimate system of reserves, the mortality being precisely as per the Select and Ultimate table; in no case more than the entire premium less the S. and U. qx, i. e., than the entire premium less $\frac{1}{2}$ of the Am. Ex. qx."

Present Values of Assumed Mortality Gains

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"You ask for a ruling on the following points:

'When a company reserves on the full American 3 per cent. basis are the present values of the assumed mortality gains on those policies to be calculated according to the American 3 per cent. Select and Ultimate or the American $3\frac{1}{2}$ per cent. Select and Ultimate Table, firstly for the calculation of the Limitation of Expenses on new business, secondly, the calculation of Limitation of Expenses on the total business?' * * *

I am of the opinion that computations relating to first years' expenses should be based on the American Experience $3\frac{1}{2}$ per cent. Select and Ultimate Table, both as to loadings on premiums and the present values of assumed mortality gains; and that com-

putations relating to expenses on total business should be based on 'actual' loadings received and the present values of assumed mortality gains determined as aforesaid."

Expense Allowances Limited to Amount Realized by Select and Ultimate Method of Valuation

Extract from letter dated November 21, 1907, from the Attorney-General to the Superintendent of Insurance.

"* * * The rulings on which an opinion is asked, and the correctness of which is in question, are as follows:

In a letter under date of August 19, 1907, to Mr. M. M. Dawson you held:

'That the law (section 97) permits only such expense allowances as can actually be realized under the Select and Ultimate method of valuation; in the case referred to not to exceed the net annual premium on the term policy less the tabular cost of insurance by the Select and Ultimate table up to the next anniversary of the policy.'

A protest having been entered as to this ruling, you wrote to Mr. Fred. W. Jenkins, General Counsel of the Security Mutual Life Insurance Company, under date of September 30, 1907, as follows:

'It is clearly the intent of the Legislature to so limit the expenses of life insurance companies for the procurement of new business that the premiums on such business would not only carry the current risk on the policy, but would also take care of the four items of expense set forth in the first sentence of section 97 of the Insurance Law. In order that this might be done companies were authorized to use the total loadings upon the premiums for the first year of insurance and the present values of the assumed mortality gains for the first five years, etc. It clearly was not the intent of the Legislature in authorizing the use of these loadings and present values to make a first year's expense allowance so great that the reserves for that year could not also be met by its premiums.'

The contention is made that these rulings are erroneous; that a proper construction of the section in question would permit the insurance companies to use for the items of expense enumerated

the full amount gained according to the Select and Ultimate formula, regardless of reserve requirements, and even though this computation apparently permitted the use of the whole of the first year's premiums, as in fact would be the result as to contracts for short-term insurance. * * *

This section (97) permits the use for the four purposes therein enumerated of the loadings on the first year's premiums and the present value of the assumed mortality gains, as ascertained by 'the Select and Ultimate method of valuation as provided in section 84.' * * *

The statute taken as a whole requires the maintenance by all insurance companies doing business in this State of an adequate reserve and permits the dissolution of all such corporations whose reserves permanently fall below the required standard. The courts have held (*Boswell v. Security Mutual Life Insurance Co.*, 119 App. Div. 723), that the limitations of section 97 apply to each policy and each agent and the same rule would seem also to require a proper reserve as to each policy. It obviously was the legislative intent to strictly limit the expenditures of insurance companies securing new business and it would do violence to that intent to hold that the whole of the first year's premium could be used for such expenses, leaving nothing for the required reserves. Certainly this will be the result if the contentions of the objectors to your rulings were upheld.

I am of the opinion that the plain reading of sections 97 and 84 of the Insurance Law, having in mind the context of these statutes and the definition of the Select and Ultimate method above quoted, established the correctness of your rulings. * * *

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

(See extract from an opinion of the Attorney-General, dated January 27, 1908, quoted under section 103, page 234, Part V, 1909.)

(See also extract from letter dated October 23, 1908, from the Superintendent to Mr. J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York, quoted under section 103, sub. 11b.)

Examination Expenses not Chargeable in Schedule "Q" Report

Extract from letter dated February 4, 1910, from the Superintendent to the Postal Life Insurance Company.

"You ask to be advised 'whether expenses of the company's examination, incurred by your examiners in 1909, are chargeable in 'total expenses' for the Schedule 'Q' report, or are regarded as a tax or State requirement not to be included.'

I am of the opinion that the expenses in question are not such as are limited by the provisions of section 97 of the Insurance Law."

What Constitutes an "Instalment" of Premiums

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Where an advance payment is made less in amount than a quarterly premium on the policy applied for * * * in my opinion such advance payment is an 'instalment' within the meaning of section 97."

Sub. 4. Agents' Commissions*Traveling Expenses of Soliciting Agents*

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"Traveling expenses paid to soliciting agents are not to be charged against the margin allowed for the expenses of first year's business, but form part of the expenses to be taken out of the actual loading on the total premiums received."

Limitation Applies to Contracts with General Agents, or with Sub-Agents

Extract from letter dated January 14, 1907, from the Superintendent to the National Life Insurance Company.

"It is the intent of section 97 of the Insurance Law to limit the amounts that may be paid by life insurance companies for certain items of expense. So long as your Company keeps within the limitations of the section it is immaterial whether your contracts are made with general agents or direct with sub-agents."

Limitation of Commissions Payable to a Soliciting Agent

Extract from letter dated August 20, 1907, from the Superintendent to Mr. Miles M. Dawson.

"You ask for a construction of that portion of section 97 of the Insurance Law which reads as follows:

'No domestic life insurance corporation shall in any calendar year after the year nineteen hundred and six expend or become liable for or permit any person, firm or corporation to expend on its behalf or under any agreement with it (1) for commissions on first year's premiums, (2) for compensation, not paid by commission, for services in obtaining new insurance exclusive of salaries paid in good faith for agency supervision either at the home office or at branch offices, (3) for medical examinations and inspections of proposed risks, and (4) for advances to agents, an amount exceeding in the aggregate the total loadings upon the premiums for the first year of insurance received in said calendar year (calculated on the basis of the American Experience table of mortality with interest at the rate of three and one-half per centum per annum), and the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or instalment thereof, has been received during said calendar year, as ascertained by the Select and Ultimate method of valuation, as provided in section eighty-four of this chapter.'

I am of the opinion that this provision of the law prohibits the payment to a soliciting agent of any sum of money in excess of the limitation therein set forth."

Extract from letter dated August 28, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am clearly of the opinion that any payment of commissions on first year's premiums in excess of the limitations of section 97 of the Insurance Law, which is made by this representative of your company to a soliciting agent, is prohibited by the section; and also that the company is prohibited from permitting such payment by its representative."

Extract from letter dated September 26, 1907, from the Superintendent to Mr. Charles Jerome Edwards.

"In construing provisions of section 97 of the Insurance Law governing payments to agents of life insurance companies, the Department holds that their purpose is to prohibit payments to a soliciting agent in excess of the limitations therein set forth and that they are applicable to payments made for new business by agents in their own behalf with or without the knowledge of the companies for which such new business is obtained. The company ultimately pays the cost incurred, which includes compensation for the agent or there would be no inducement for the latter to make advances. Whether effective or not in practice, the legislative intent was that no life insurance corporation nor agent thereof should expend or become liable for expenses in excess of the limitation prescribed.

The restrictions apply to expenditures by any individual agency, separately and by itself, irrespective of whether the aggregate expenditures of the company throughout all its agencies do or do not exceed the statutory limitation. Such limitation applies to each part of the agency force and successively to the aggregate sum permitted to be expended for new business by the several agencies of the company as a whole and does not afford an opportunity for defeating its declared purpose through a variety of contracts with different agents upon the hopeless assumption that an accurate regulation could be had thereunder and the total of disbursements restrained. An individual agent is prevented from expending moneys which may increase the total for new business beyond the limitation, although such expenditures are made by him from his own personal funds, on his own behalf, for his own profit and without agreement or expectation of specific reimbursement by the company. If the individual agent is not held to a personal responsibility the avenues for an evasion of the law are opened wide."

The Restrictions Apply to Expenditures by Each Individual Agent

Extract from letter dated June 29, 1909, from the Superintendent to the National Life Insurance Company.

"Your favor of the 25th instant relating to the opinion of the Attorney-General, dated June 10, 1909, concerning the proper

interpretation of section 97 of the Insurance Law, has been received.

Under date of September 26, 1907, in a letter addressed to Mr. Charles Jerome Edwards, Brooklyn, N. Y., the Superintendent gave a ruling in regard to payments to soliciting agents (a copy of this letter is enclosed herewith). Overruled by the opinion of the Attorney-General dated December 28, 1908, its correctness is now confirmed by the Attorney-General's opinion of the 10th instant (copy enclosed), and I would advise you that following the advice contained in this opinion the Department will disregard the opinion of the deputy Attorney-General dated December 28, 1908, and be guided as to the proper interpretation of the section in question by the opinion of January 27, 1908."

Payment of Maximum Commission When Procuring New Business

Extract from a letter dated September 28, 1909, from the Superintendent to the Casualty Review Publishing Company.

"Section 97 of the Insurance Law fixes a limit beyond which a life insurance corporation may not lawfully go in its expenditures for the purpose of procuring new business. There is, however, nothing in the law which requires such a corporation to pay any certain part, or the whole, of the largest commission which may be found permissible under the section referred to."

Limitation of Expenses on Changed Policies

Extract from letter dated March 5, 1907, from the Superintendent to Home Life Insurance Company.

"You ask: 'Do you consider that the changing of a Term policy in accordance with its provisions, making the contract a Life or Endowment one as from a date prior to January 1, 1907, subjects such change and the premiums received thereon to the limitation of expenses as provided for in section 97 of the Insurance Laws, or can such change (so far as the compensation to the agent is concerned) be treated in the same way as the compensation paid upon deferred first year's premiums received during the current year on policies issued during 1906?'

The date of the changed policy is the controlling factor. From your statement, these policies would not be subject to the limitations of expenses for the procurement of new business; they would, however, come within the general limitation of expense."

Commissions on Term Premiums

Extract from letter dated August 28, 1907, from the Superintendent to The Life Association of America.

"In connection with this matter I would call your attention to my letter of the 19th inst. addressed to Mr. Miles M. Dawson, a copy of which you will please find inclosed herewith. From this you will see that, in my opinion, 70 per cent. commissions on term premiums cannot be paid without exceeding the limitations of section 97 of the Insurance Law."

Treatment of Policy Issued in Accordance with Privilege Granted in Term Policy

Extract from letter dated June 9, 1908, from the Superintendent to The Washington Life Insurance Company.

In your favor of the 6th inst. you write as follows:

'This company desires to write a 5-Yr. Non-Renewable Term policy under the standard policy form of the State of New York. If exchanged for an Ordinary Life, Limited Payment Life or Endowment policy after the first policy year and within five years from the date of issue, in accordance with the provision in said standard policy form, what commissions can this company pay to the agent who effects the change in question?'

I am of the opinion that the policy issued in accordance with the provision in said standard (term) policy form may be considered 'new insurance' and that on it you can pay a regular first year commission and allow nine renewals."

Life Certificates Sold in Connection with Accident Policies

Extract from letter dated July 29, 1908, from the Superintendent to the Aetna Life Insurance Company.

"You ask:

'Will you kindly advise whether the issue of these certificates and the continuation of the contract in subsequent years by the

use of ordinary renewal receipts, with the payment of the same commissions which we allow to our different agents according to their Accident contracts, will be permitted in New York State under the laws existing there for the transaction of business of Life insurance ?'

To this my answer is in the affirmative, assuming that the expenditures on account of new business do not exceed the limitations set forth in section 97 of the Insurance Law of this State."

*Issuing Insurance Policies Through Mail Order Houses
Prohibited*

Extract from letter dated February 19, 1909, from the Superintendent to the Mutual Benefit Life Insurance Company.

"Your favor of the 9th inst, relating to a proposed scheme of issuing insurance policies through a mail order house, was received by due course of mail.

"The scheme as stated by you is decidedly objectionable as it injects speculation into the business of selling life insurance and would subject many local agents of your company to unfair competition. Further, in my opinion, it would be a violation of the limitations of section 97 of the Insurance Law of this State."

Sub. 5. Compensation of Agent Must be Determined in Advance

Agency Supervisor and General Agent

Extract from letter dated November 14, 1907, from the Superintendent to Home Life Insurance Company.

"You state that:

'We have for many years had great difficulty in securing a proper amount of business from the New England territory and it has been suggested that that territory could be best developed by the appointment of a salaried agency supervisor who should devote his energy to the development of that territory and have no commission interest whatever in the business under his supervision. * * *

In this particular instance, it seems that the most desirable and economical arrangement which could be made would be to turn the supervision of that territory under the above arrangement over to a man who already represents us in the Greater New

York department under a commission contract. The arrangement would then be that this gentleman would continue to develop Greater New York, his present territory, under his commission contract and would at the same time be agency supervisor of the New England territory on a salaried basis; the two departments would be absolutely and entirely distinct, although handled under these two different arrangements by one and the same man.'

Section 97 of the Insurance Law provides that: 'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance.'

I am of the opinion that in view of the foregoing provision you cannot legally make the suggested appointment."

Commissions Not to be Paid to Clerks Regularly Employed Under Salary

Extract from letter dated March 2, 1908, from the Superintendent to Mr. John H. Robinson.

"You write as follows:

'Kindly advise me if it is lawful for the management of a life insurance company to pay to a clerk, regularly employed in its offices, a commission equal to what is regularly paid to agents, or even a less commission, on a new policy issued on an application secured by the said clerk acting as agent? I assume that the limitation of expenses indicated in section 97 was intended not only to afford protection to the policyholder against a lavish and uncalled-for expenditure of money, but also that the agent devoting his time to promoting and making successful the company's business should be afforded protection from the competition of others in the employ of his company who are paid a salary for services of an entirely different character.'

I am of opinion that the payment of commissions by a life insurance company to clerks regularly employed in its offices

under salary for services of an entirely different character than those of an agent is contrary to the spirit of section 97 of the Insurance Law."

The Restrictions Apply to Each Agent Separately

Extract from letter dated July 29, 1908, from the Superintendent to the Washington Life Insurance Company.

"I am of the opinion that the provisions of section 97 of the Insurance Law governing payments for new business to agents of life insurance companies apply to the payments made for the new business procured by such agents. The restrictions apply to each agent separately and by himself, irrespective of whether the aggregate payments by the company to all its agents do or do not exceed the statutory limitations. The compensation of an agent may not exceed that which has been determined in advance; any increased or additional compensation based upon *the aggregate* of policies written or paid for is prohibited."

The Company Not to Pay Any Compensation Other Than That Which Has Been Determined in Advance

Extract from letter dated November 4, 1908, from the Superintendent to Fell & Fell.

"Your favor of the 29th ult. has been received.

The offer made in the second paragraph of your letter dated October 15, 1908: 'Having made a saving *each month* during the first nine months of this year, we are going to pay out the accumulation on business written and paid for this month. This will make the commission from 17 per cent. to 22 per cent. higher than regular first year commissions,' is in conflict with that provision of section 97 of the Insurance Law which prohibits the payment to any agent, broker, etc., of 'any compensation other than that which has been determined in advance.'

You wish to be advised:

'If it is lawful for a company which makes a saving under the law of say \$150,000 on new business during the first nine months of the year to pay out that saving during the balance of year by increasing the commission to agents, provided the total

expended in that year for new business is not in excess of the amount allowed by law.'

I am of the opinion that this may not lawfully be done. Such savings in expenses as a company might be able to make should inure to the benefit of the policyholders."

Present Commissions to Clerks or Cashiers Lawful if Determined in Advance

Extract from Opinion of Department Counsel, dated March 17, 1909.

"Answering your request for an opinion on the question of whether or not it is lawful for life insurance companies to pay salaried clerks, or cashiers, present and renewal commissions for business secured by them, I beg to reply as follows: Upon an examination of sections 97 and 98 of the Insurance Law, I find that, although it seems to be decidedly against the spirit of the law, it is lawful for a life insurance company to pay a present commission to a clerk or other person, on salary with the company, who procures new business, provided the commission is determined in advance and that if it will exceed \$5,000 for any one year the contract for such commission is passed upon by the board of directors. It is not lawful, however, for such life insurance corporation to pay or agree to pay renewal commissions to such a salaried employee as a clerk, cashier or other person, as to do so would violate positive provisions of law."

Sub. 6. Bonuses, Prizes and Rewards

Renewals to Sub-Agent Based on Amount of Business Written

Extract from letter dated October 25, 1906, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited, is to be read in connection with the sentence which immediately precedes it. I am of the opinion that read in this connection or by itself alone

it does not prohibit a general agent from making a contract with a sub-agent by which 'no renewals shall be allowed unless a given amount of business is written by the sub-agent within a year.'"

Commissions Based on Amounts of Insurance

Extract from letter dated December 10, 1906, from the Superintendent to The Washington Life Insurance Company.

"Under date of the 7th inst. you write as follows:

'Where a company desires to pay commissions to agents upon a basis as shown in the inclosed agency contract, where a commission allowance is based upon amounts under kinds and ages, in accordance with the limits as provided by law, and where deduction is made of the actual medical examination fee, the result is that the rate of commission is greater on a policy of large amount than on a policy of small amount.'

You then refer to section 97 of the Insurance Law and ask: 'Is there anything in the Insurance Law forbidding such a plan where the actual limits as provided are not exceeded?'

'To this my answer is no.'

Commissions Depending on Amount of Business Written

Extract from letter dated December 26, 1906, from the Superintendent to John Hancock Mutual Life Insurance Company.

"The sentence in section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards,' etc., prohibits the payment of 'increased or additional commissions' and should be read in connection with the sentence immediately preceding. It does not prohibit the making of a contract by which no commission shall be paid unless a given amount of business is written, always provided that the payments on account of commission be kept within the limitations of the law."

Extract from letter dated January 3, 1907, from the Superintendent to Phoenix Mutual Life Insurance Company.

"You ask: 'Would it be proper for a general agent to make a contract providing for a certain number or amount of renewal commissions upon the writing of a certain amount of insurance, and stipulating that failure to reach that amount would decrease the number or amount of the renewal commissions promised?'

To this my answer is yes, provided that the number and amount

of the renewal commissions did not exceed the limitation of the section.

You also ask: 'If it is proper to make a contract allowing a certain amount of commissions provided a certain amount of insurance is written, would it also be perfectly proper for the Company to offer to pay certain expenses, as, for instance, the traveling expenses of an agent to the annual convention of agents, provided a certain amount of insurance should be written?'

To this my answer is no, such payment comes within the prohibition of the section."

Additional Commission on First Year's Premiums

Extract from letter dated June 3, 1908, from the Superintendent to Mr. Allan Waters.

"Section 97 of the Insurance Law relating to the limitation of expenses of life insurance corporations provides that:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it shall pay or allow to any agent, broker or other person, firm or corporation for procuring an application for life insurance, for collecting any premium thereon or for any other service performed in connection therewith any compensation other than that which has been determined in advance. All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that this will not permit 'the drafting of a contract to provide that the agent shall receive 5 per cent. additional commission upon first annual premiums provided he secures a certain amount of paid-for business annually, providing the maximum commission comes within the provisions of the law.'"

Additional Compensation Based on Volume of Business Not Approved

Extract from letter dated June 19, 1909, from the Superintendent to the Germania Life Insurance Company.

"You write:

'One of our managers proposes that besides the regular scale of commissions and renewal commissions, the Company allow him in

lieu of all other expenses connected with the management of his office, i. e., office rent, clerk hire, traveling expenses, postage, exchange, telegrams, etc., a certain sum per annum, he guaranteeing to produce a certain volume of business.'

I would advise you that I could not approve such an arrangement as the above."

Prizes to Sub-Agent Based on Amount of Business Written

Extract from letter dated July 27, 1910, from the Superintendent to the
Ætna Life Insurance Company.

"You write as follows: 'Suppose I, as a General Agent, desire to stimulate my men to greater effort during the month of August by offering them prizes based upon a certain amount of business written and paid for, said prizes to be either cash or merchandise, would I by so doing violate the law? I understand full well that companies may not do this sort of thing, but it is not clear in my mind whether General Agents, acting upon their own motion and without even the knowledge of their company, may make such offers as above indicated.'

The prohibitions of that portion of section 97 of the Insurance Law which you quote: 'All bonuses, prizes and rewards and all increased or additional commissions, or compensation of any sort, based upon the volume of any new or renewed business, or the aggregate of policies written or paid for, are prohibited,' are not limited but are general in their nature; the sentence should be read in connection with that which immediately precedes it."

Honor Rolls or Other Reward of Merit Involving No Pecuniary Return to Agent

Extract from letter dated November 19, 1906, from the Superintendent to
Phoenix Mutual Life Insurance Company.

"You write: 'I take it that the word 'reward' can mean only pecuniary recompense, and that honor rolls and the temporary enjoyment of reward of merit that brings no pecuniary return to the agent was not intended to be forbidden by law.'

I am of the opinion that 'honor rolls' are not forbidden by section 97 of the Insurance Law of this State, always provided that the limitations as to expenses be not exceeded."

*Officer of Company may Insure his Life in Company, if No
Rebate Granted or Commission Paid*

Extract from letter dated December 3, 1906, from the Superintendent to
Mr. Lathrop E. Baldwin.

“In reply to your inquiry of the 30th ult.:

‘Would it be illegal or improper for an officer of my Company to insure his life in my Company through my agency, he receiving no rebate, and I receiving no commission, compensation or emolument upon the business so written, I simply having the credit upon my books of having secured the risk?’

would state that I am of the opinion that it would be neither illegal nor improper.”

Banquet to Agents

Extract from letter dated October 17, 1907, from the Superintendent to
Mr. L. W. Post.

“You desire to be advised: ‘If a superintendent or district manager of an industrial insurance company violates the Armstrong law by offering prizes or a banquet to members of his staff to accomplish certain work?’

Section 97 of the Insurance Law of this State provides that: ‘All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.’ This fully answers your question.

The section further provides that: ‘A foreign life insurance corporation which shall not conduct its business within the limitations and in accordance with the requirements imposed by this section upon domestic corporations shall not be permitted to do business within the State.’”

Presents of Jewelry

Extract from letter dated November 11, 1907, from the Superintendent to
Mr. G. E. Smith.

“You write as follows:

‘Two of the assistant superintendents of the staff of this district have in their possession some articles of jewelry, possessing

no great value, which they desire to present to some of the members of their staff in recognition of services performed in the past, and we would ask if this would in any manner conflict with the recent insurance laws passed by the Legislature of this State.'

Section 97 of the Insurance Law provides as follows: 'All bonuses, prizes and rewards, and all increased or additional commissions or compensation of any sort based upon the volume of any new or renewed business or the aggregate of policies written or paid for, are prohibited.'

I am of the opinion that the proposed action of your assistants would come within the prohibition of the section."

Payment of Brokerage to Agent on a Policy on His Own Life

Extract from letter dated July 7, 1908, from the Superintendent to Mr. John Cowan.

"I am of the opinion that a life insurance agent can not lawfully receive a brokerage commission on a premium on his own life insurance policy."

Payments to Agents Must be Made in Good Faith

Extract from letter dated May 4, 1909, from the Superintendent to Mr. H. W. Adama.

"Your favor of the 3d inst. relating to remuneration of life insurance agents, is received.

You have been advised that the proposed payments to agents must be 'paid in good faith.' When it is proposed that the payments be made simply to increase the emoluments of the agents, I am of the opinion that section 97 of the Insurance Law prohibits such payments.

For further information in regard to the matter I would refer you to the General Counsel of your Company."

Gifts for Services Prohibited

Extract from letter dated January 24, 1910, from the Superintendent to Dow, Behm & Company.

"In your letter * * * you write as follows:

* * * It has been the custom of the writer to secure a great many references and introductions from his old policy-

holders and usually a box of cigars or some similar acknowledgment of the favor received has been appreciated by a policyholder quite beyond the value of the expression of appreciation. Aside from this, we frequently receive from our policyholders a letter stating that they have a relative or friend who wants to take out some insurance, and asking if there is anything in it for them. What kind of a reply can we make to such an inquiry? * * * It is not a question of their soliciting insurance, or their being part-time men, or anything of the kind, it is merely sending us information that might result in our securing business.'

Such services as these you refer to may well be considered to be such as are referred to in the law."

Sub. 7. Renewal Commissions

Renewal Commissions on Premiums Received in Advance

Extract from letter dated April 3, 1907, from the Superintendent to Home Life Insurance Company.

"Your favor of the 28th ult., in further reference 'to the payment of renewal commissions on premiums received in advance,' has been received.

You cite the following practical example: 'A premium received in 1907 which is not due until 1908; the question is, can the Company take credit for the loading of this premium and pay the corresponding commission in 1907.' I am of the opinion that this cannot be done."

No Portion of Renewal Commissions Shall be Added to First Year Commissions

Extract from letter dated July 13, 1907, from the Superintendent to Mr. Leo Stein.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company, 'to make a contract with an agent whereby any portion of renewal commission may be applied toward the payment of commissions earned during the first year of the policy and in addition to ordinary full first year commissions.'"

Renewal Commission Clause

Extract from letter dated August 27, 1907, from the Superintendent to
Mr. C. M. Brown.

“ You submit for consideration the following clause which you may desire to embody in your agency contracts:

‘ Renewal Commissions.

Providing this contract remains in full force and effect and that the party of the second part does not procure less than \$. . . . a year from date hereof, in new paid life insurance business, then on all plans of insurance, except those which provide for no renewal commissions, there shall be payable to said party of the second part the following commissions:

..... % of the premiums, etc.
.....

It being, however, understood and agreed that failure of the party of the second part in any particular year to furnish said \$. . . . in new paid business shall only affect his renewal commissions on the business done during that year and shall not be operative as to the business done in the years in which the \$. . . . quota of new business is furnished.’

I am of the opinion that there is nothing in the Insurance Law ‘ which would prevent a company from making a contract containing such clause,’ provided the limitations of section 97 be not exceeded.”

Payment of Maximum Commissions not Required

Extract from letter dated December 18, 1909, from the Superintendent to
Austin P. H. Mullarky.

“ Your favor of the 11th inst., relating to contracts between managers and agents of life insurance companies, is received. Section 97 of the Insurance Law places certain limitations upon commissions which may be paid on new and renewal premiums; it does not require that the full amount allowable by law as commission on renewal premiums shall be paid in each and every case where a renewal commission may be due.”

Payment of Commissions on Renewal Premiums not Limited to Those Agents Who Secured the Business

Ruling of December 31, 1909.

"Section 97 of the law does not limit the payment of commissions on renewal premiums to those agents who secured the business."

Renewal Contracts With Sub-Agents

Extract from letter dated May 13, 1910, from the Superintendent to the Prudential Insurance Company of America.

"You quote from an opinion given by this department to the Massachusetts Mutual Life Insurance Company under date of Oct. 25, 1906, and add: 'I understand that this correctly expresses the attitude of your department in connection with the matter therein referred to. Will you kindly advise me first, whether, in your opinion, a company would be justified in guaranteeing to a sub-agent the renewals provided for under a contract similar to that above referred to made by him with a general agent and, second, whether a company which, by the terms of its contract with its general agent, reserves the right to carry out a contract with a sub-agent would be justified in carrying out a contract containing such a provision in relation to renewals?'

To your first question my answer is no. To your second question my answer is yes."

Renewal Contract of Special Agent With Manager Lawful

Extract from letter dated July 27, 1910, from the Superintendent to the Prudential Insurance Company of America.

"You ask: 'Will you kindly advise whether there is anything in the New York law prohibiting companies endorsing the contract of a special agent with a manager to guarantee carrying out the renewal agreement if same is conditional on the amount of business written, or otherwise?'

I would advise you that I know of no provision in the Insurance Law which would prohibit the making of such a contract, providing the limitations of section 97 be not exceeded."

*Treatment of Policy Issued in Accordance with Privilege Granted
in Term Policy*

Extract from letter dated February 21, 1908, from the Superintendent to John Hancock Mutual Life Insurance Company.

"You write as follows:

'We have a request to change a Term Policy issued in 1907 to another form, in accordance with the privilege granted in the policy, the new policy to date from the present time. In former times our custom was to make the change allowing the agent a commission according to the contract rate on the new policy for the difference in premium due under the new policy and that paid on the term policy and it would then run along as renewal business. We would like to ascertain if, under the new limitation of expenses under the New York law, this should be considered as new insurance and we can pay the difference in the commission and allow nine renewals on this new policy, or whether it must be treated as old insurance and in this particular case while paying the excess of commission due under the new policy on this form only pay the nine renewals from the date of the original policy.'

I am of the opinion that a policy issued 'in accordance with the privilege granted in the (term) policy' and not in a form therein set forth as a continuation of such contract, should be considered as 'new insurance' and that on it you can pay the difference in the commission and allow nine renewals."

*Renewal Commissions, Amendments Passed 1909, Take Effect
May 7, 1909*

Extract from letter dated May 14, 1909, from the Superintendent to Mr. Charles L. Behm.

"You ask to be advised 'whether the law relative to renewal commissions paid to agents and collection fees does not permit the company to pay these additional commissions on all business written since January 1, 1907, when the Armstrong Law went into effect.'

I am of the opinion that the amendments to section 97 of the Insurance Law which took effect May 7, 1909, 'permit the company to pay these additional commissions on all business written since' that date only."

Application of Amendment, Dated May 7, 1909

Extract from letter dated May 18, 1909, from the Superintendent to the Berkshire Life Insurance Company.

"You write as follows:

'As we are anxious to give our general agents the benefit of the revisions in the life insurance laws of New York, I would thank you if you would kindly tell me the date upon which these laws took effect. Could the additional renewals from the 11th to the 15th year under the law be applied to all business written under the Armstrong Law since January 1, 1907; or does it apply only from the date on which the law took effect?'

The amendments to section 97 of the Insurance Law allowing the additional renewals to which you refer apply only to business written on and after May 7, 1909, the day on which they took effect.

Amendments of 1909, Allowing Additional Renewal Commissions not Retroactive

Extract from letter dated June 26, 1909, from the Superintendent to The Penn Mutual Life Insurance Company.

"I am clearly of the opinion that the amendment to section 97 of the Insurance Law increasing the number of renewal commissions which may be paid to agents is not retroactive; this amendment was contained in chapter 301 of the Laws of 1909, which took effect May 7, 1909, and applies only to business written on and after that date under agency contracts entered into on and after said date."

Purchasing Renewal Commissions

Extract from letter dated October 30, 1906, from the Superintendent to The Germania Life Insurance Company.

"I know of nothing in the Insurance Law which prohibits a life insurance company from purchasing renewals. The Attorney-General has taken the general position that the new provisions of the Insurance Law would not and could not affect contracts previously lawfully entered into and as to which there was no power of alteration or revocation reserved, at any rate."

Extract from letter dated November 26, 1906, from the Superintendent to The Penn Mutual Life Insurance Company.

"There is nothing in the Insurance Law of this State which prohibits a life insurance company from purchasing renewals, either at the present time or after January 1, 1907."

Extract from letter dated September 16, 1908, from the Superintendent to The Penn Mutual Life Insurance Company.

"If the proposition to which you refer is made in good faith by an agent desirous of severing his relations with your Company, I am of the opinion that the purchase may be made provided the limitations of section 97 of the Insurance Law of the State of New York be not exceeded. If, however, it be proposed as a method of commuting renewals, it would fall within the prohibition of the statute."

Sub. 8. Commutation of Renewal Commissions

Commuted Commissions Not Payable First Year

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the commuted amount to commissions on first years' premiums."

Commuted Commissions Cannot be Added to First Year Commissions

Extract from letter dated January 2, 1907, from the Superintendent to the Bankers Life Insurance Company.

"* * * There is no provision in section 97 of the Insurance Law which permits a life insurance company to commute renewal commissions and add the first payment to the first year's commission."

Commuted Renewal Commissions are Payable only from Renewal Premiums

Extract from letter dated July 8, 1909, from the Superintendent to Mr. Charles S. Fowler, Second Deputy Superintendent of Insurance.

"You state that 'The first payment of renewal commissions is paid the first year of the policy in addition to the commission for

the first year' and ask for a ruling as to the propriety of these payments.

There is no provision of section 97 of the Insurance Law which permits a life insurance company to add the first payment of renewal commissions to the first year's commission."

Approved Rate of Commutation

Extract from letter dated September 17, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"Your proposal to pay 10 per cent. renewal commissions for five years upon certain of your policy issues, instead of 7½ per cent. for nine years as provided in section 97 of the Insurance Law, has my approval."

(See also letter of October 30 from the Superintendent to Metropolitan Life Insurance Company, given below.)

Proposed Rate of Commutation Approved

Extract from letter dated October 11, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your proposal to pay 15 per cent. renewal commissions for three years upon certain of your policy issues instead of 7½ per cent. for nine years and to pay 10 per cent. renewal commissions for three years upon certain other policies instead of 5 per cent. for nine years, as provided in section 97 of the Insurance Law, has my approval."

Approval of Proposed Rate

Extract from letter dated October 23, 1906, from the Superintendent to The Western Underwriter.

"Approval of a proposed rate for commuting renewal commissions, or an opinion as to its fairness, can only be given when some company makes application accompanied by a schedule showing the figures upon which the application is based."

Collection Fee and Commutation

Extract from letter dated October 30, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You state:

'In the table already alluded to, which was submitted to you under date of September 11, we did not take advantage of the full

present value of commissions running over a period of nine years and we now desire to submit a supplemental table which includes the present value of a collection fee of 2 per cent. in the four years following the last year in which we propose to pay a renewal commission of 10 per cent.

‘It will be seen that in each case the present value on a $3\frac{1}{2}$ per cent. basis of a renewal commission of 10 per cent. for five years and a 2 per cent. collection fee for the remaining four years is less than the present value of renewal commissions of $7\frac{1}{2}$ per cent. for nine years and we beg to ask for your approval of our proposal to pay a collection fee of 2 per cent. from the seventh to the tenth year inclusive.’

Your proposal to pay a collection fee as aforesaid has my approval.”

Proposed Commutations Approved

Extract from letter dated November 14, 1906, from the Superintendent to the New York Life Insurance Company.

“Your proposal is: ‘In an agency district subject to the supervision of a local salaried representative to pay on 10 and 15-Year Endowment Policies a renewal commission of 6 per cent. for four years, or 5 per cent. for five years, in lieu of the $3\frac{1}{3}$ per cent. for nine years allowed by section 97 of the Insurance Law.’ This has my approval.”

Extract from letter dated November 26, 1906, from the Superintendent to The Prudential Insurance Company.

“In certain cases in districts where you have local supervising representatives, you propose to ‘pay five renewal commissions of 5 per cent. each on ten and fifteen-year endowments, instead of nine renewals of $3\frac{1}{3}$ per cent. each.’

This has my approval.”

No Gross Payment in Lieu of Renewal Commissions

Extract from letter dated December 13, 1906, from the Superintendent to Mr. Lathrop E. Baldwin.

“* * * You quote from section 97 of the Insurance Law the provisions relating to the commutation of renewal commissions and ask:

‘Under such clause of law, can a company pay as brokerage, no further commission compensation *on case* to be received by agent,

a lumped sum of the first year's commission allowed by law and at same time two renewal commissions of $7\frac{1}{2}$ per cent. each, making gross payment on first year of first year's commission and 15 per cent.'

In reply, would state that I am of the opinion that such a gross payment would not be in accordance with the law. * * *

Extract from letter dated January 3, 1907, from the Superintendent to the Equitable Life Assurance Society.

"Your proposals to pay 15 per cent. for three years in lieu of $7\frac{1}{2}$ per cent. for nine years and to pay 10 per cent. for five years and 2 per cent. collection fees for four years in lieu of $7\frac{1}{2}$ per cent. for nine years, have my approval."

Extract from letter dated March 20, 1907, from the Superintendent to the New York Life Insurance Company.

"You state: 'We desire to have your authority for paying the following in lieu of nine renewal commissions of 5 per cent. each on the Ordinary Life, Limited Payment Life, and Endowments paid by twenty or more premiums, and in lieu of nine renewal commissions of 3 per cent. each on 10 and 15-Year Endowments:

RENEWAL COMMISSIONS

PLAN	2d year	3d year	4th year
Ordinary life	12%	12%	6%
Limited payment life	12	12	6
Endowments paid by 20 or more annual premiums	12	12	6
Ten and 15-year endowments.....	8	8	4

Enclosed are sheets showing our calculations, based upon our mortality and lapse rates.'

The proposed rates have my approval."

Proposed Commutations Approved

Extract from letter dated April 18, 1907, from the Superintendent to the Mutual Life Insurance Company.

"Your proposal to pay two renewals of 9 per cent. and seven renewals of $2\frac{1}{2}$ per cent in lieu of nine renewals of 5 per cent. has my approval."

Extract from letter dated December 22, 1908, from the Superintendent to the Metropolitan Life Insurance Company.

"I am in receipt of your favor of the 21st inst., reading as follows:

'Under date of October 26, 1906, we submitted for your consideration a table based upon mortality and lapse rates for the purpose of securing your approval to our proposition to commute nine renewal commissions of $7\frac{1}{2}$ per cent. to five renewals of 10 per cent. with 2 per cent. collection fee for the remaining four years.

We now beg to submit for your approval our proposition to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years; and also a table of commuted values which shows that the present value of these commissions is less than the present value of nine renewals of $7\frac{1}{2}$ per cent. each.'

Your proposal 'to pay two renewals of 15 per cent. each, one of 10 per cent. and 2 per cent. during the remaining six years,' has my approval."

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Home Life Insurance Company.

"Your proposal to commute commissions on the following scales: (1) 14 per cent. the first year, 12 per cent. the second year and 10 per cent. the third year; or (2) three commissions of 12 per cent. each, in lieu of nine renewals of $7\frac{1}{2}$ per cent. each, has my approval."

Extract from letter dated February 13, 1909, from the Deputy and Acting Superintendent to the Manhattan Life Insurance Company.

"Your proposal to commute nine renewals of $7\frac{1}{2}$ per cent. to three renewals of 15 per cent., and to commute nine renewals of 5 per cent. to three renewals of 10 per cent., has my approval."

*Approval not Required for Commutation Less than Rate Already
Approved*

Extract from letter dated March 20, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"I am of the opinion that the clause in section 97 of the Insurance Law which you quote: 'Provided that an amount found

to be equivalent to the aggregate amount so payable upon a fair commutation approved by the Superintendent of Insurance and based upon mortality and lapse rates may be distributed through three or more years but not more than two-fifths of such amount shall be payable for any one year,' does not require the approval of the Superintendent in those individual cases where the amounts proposed to be paid are less than those that might be paid under a ruling of the Superintendent, previously given in relation to commuting renewal commissions."

Rule of Two-Fifths, How Applied

Extract from letter dated April 14, 1909, from the Superintendent to the Home Life Insurance Company.

"Your favor of the 9th inst. referring to my letter of February 13, 1909, approving the commutation of commissions proposed by your Mr. Marshall, has been received.

You state that one of your general agents wishes to have the privilege of paying to his sub-agents three commuted renewal commissions well within the permission of February 13th, and add that a question has been raised as to whether the phrase in section 97 of the Insurance Law, 'but not more than two-fifths of such amount shall be payable for any one year,' can be held to apply to the case in question, since the first commuted renewal is more than two-fifths of the total of the three renewal commissions which your general agent proposes to pay to his sub-agent.

I am of the opinion that the words quoted apply to the maximum commuted renewal commission approved on February 13, 1909, and that your general agent could with propriety pay to his sub-agent 14 per cent. renewal commission the second year and no further renewals thereafter."

Proposed Commutations Approved

Extract from letter dated June 29, 1909, from the Superintendent to the Phoenix Mutual Life Insurance Company.

"You write:

'In lieu of the nine 7½ per cent. and five 5 per cent. renewals I would request one 12 per cent. renewal, eight 7½ per cent. renewals and five 2 per cent. renewals, and in lieu of such com-

mutation the company would like to employ also the alternative commutation of two 10 per cent. renewals, seven 7½ per cent. renewals and five 2 per cent. renewals.

On premiums under which the company is allowed to pay fourteen 5 per cent. renewals we would respectfully request the privilege of paying one 9½ per cent. renewal, eight 5 per cent. renewals and five 2 per cent. renewals, and in lieu thereof the company would like to employ also the commutation of two 7½ per cent. renewals, seven 5 per cent. renewals and five 2 per cent. renewals.'

The rates for commutation stated above have my approval."

Sub. 9. Agency Supervisor

Persons Occupying Dual Position of Agency Supervisor and Personal Producer

Extract from letter dated August 10, 1906, from the Superintendent to The Germania Life Insurance Company.

"There is nothing in the Insurance Law which prevents you from employing persons in the dual capacity stated (Agency Supervisor and Personal Producer) nor which prohibits the 'payment to such persons of a commission for new business written by them personally, besides a salary as Agency Supervisor,' provided that in the aggregate the expenditures on account of new business do not exceed the limitations set forth in section 97 of the law."

Renewal Commissions to Agency Supervisors

Extract from letter dated November 14, 1906, from the Superintendent to The Germania Life Insurance Company.

"You write:

'According to section 97 of the new laws, the renewal commission to district agents shall not exceed two-thirds of the foregoing rates,' i. e., 7½ per cent and 5 per cent. during nine years.

We assume that in all equity and according to the spirit of the law, the remaining ⅓, i. e., 2½ and 1⅓ per cent. accrue to the agency supervisor or manager who, according to the ruling of your favor of August 10, 1906, can act in the dual capacity of supervisor and personal producer.'

In my opinion your assumption is correct."

*Salaried Agent, Partly Personal Producer and Partly Assistant
to Other Agents*

Extract from letter dated January 2, 1907, from the Superintendent to Massachusetts Mutual Life Insurance Company.

"You ask: 'In your opinion is a person under contract with our Company upon our regular general agent's form who is himself a personal producer and a part of whose duties is to solicit for applications and who also assists other general agents of the Company in his locality in closing business and who may recommend to the Company other individuals for contracts with the Company, to whom advances are made and whose compensation is determined by a commission upon the business done by himself and that done by agents whom he may, at the request of the Company, assist in their work, such a local salaried representative as is contemplated by that provision in section 97 of the present laws of the State of New York in reference to insurance as would work a reduction in the renewal commissions of other agents in his district?'

To this my answer is yes."

Sub. 10. Loan or Advance to Agent

Advances by General Agents

Extract from letter dated June 21, 1906, from the Deputy Attorney-General to the Superintendent of Insurance.

"If, therefore, it could be shown that the general agent made the loan or advance on behalf of the insurance company, or under any agreement with it, it is within the prohibition of the statute; otherwise not."

Date When Advances Against Renewal Commissions Must Cease

Extract from letter dated July 10, 1906, from the Superintendent to The National Life Insurance Company of Vermont.

"I am in receipt of your favor of the 5th inst., relating to the following paragraph of section 97 of the Insurance Law of this State:

'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan

or advance to any person, firm or corporation soliciting or undertaking to solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

It is my opinion that the operation of this paragraph is deferred until January 1, 1907."

Interpreting the Language "On Its Behalf"

Extract from letter dated March 31, 1909, from the Counsel to the Department to Mr. Charles T. Brockway.

"The department cannot see how it can be said that a general agent who makes advances or loans to an agent who is soliciting business for the insurance company represented by the general agent is not making such advances or loans on behalf of the insurance company. Accordingly, we should say that such advances or loans, if made, would be in conflict with the laws of this State."

The Words "Loan" and "Advance" are to be Considered as Synonyms

Extract from letter dated April 5, 1909, from the Superintendent to the John Hancock Mutual Life Insurance Company.

"Your favor of the 2d inst., relating to a loan to an agent, has been received.

You quote that part of section 97 of the Insurance Law which prohibits the making of loans or advances upon the security of renewal commissions and write as follows:

'The opinion of the State authorities is respectfully asked upon the definition of the term 'advance.' Suppose a company were to make a loan to an agent upon the basis of renewal premiums to which he had become entitled under a contract and business in effect before the establishment of the present law, would such a loan, if lawful in itself, constitute in any sense an 'advance,' within the meaning of this section?'

I am of the opinion that for the purposes of the law the words 'loan' and 'advance' are to be considered as synonyms and further that no loan or advance may now be made upon the

security of renewal commissions arising 'under a contract and business in effect before the establishment of the present law,' unless such contract specifically provided for the making of such loan or advance."

Sub. 11. Advances Against First Year Commissions

Statute Authorizes Such Advances

Extract from letter dated October 5, 1907, from Superintendent to The National Life Insurance Company.

"Your favor of the 25th ult. relating to the phrase 'except advances against compensation for the first year of insurance,' was received by due course of mail.

You ask if this phrase, found in that provision of section 97 of the Insurance Law which prohibits the making of any loan or advance without adequate collateral security, 'does authorize advances to agents upon the sole security of compensation to be earned by writing new business.'

I am of the opinion that the phrase does authorize such advances."

But Such Advances Must be Made in Good Faith

Extract from letter dated July 12, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that advances may be made to agents so long as the aggregate of the four items for the first year's expenses does not exceed the maximum provided by law and provided always that the advances are made in good faith."

No Advances Against Renewal Commissions After 1906

Extract from letter dated December 20, 1906, from the Superintendent to the Massachusetts Mutual Life Insurance Company.

"Your favor of the 15th inst. relating to advances to agents has been received.

Section 97 of the Insurance Law provides that: 'No such corporation, nor any person, firm or corporation on its behalf or under any agreement with it, shall make any loan or advance to any person, firm or corporation soliciting or undertaking to

solicit applications for insurance without adequate collateral security, nor shall any such loan or advance be made upon the security of renewal commissions, or of other compensation earned or to be earned by the borrower except advances against compensation for the first year of insurance.'

This very clearly prohibits the making of advances against any renewal commissions on and after January 1, 1907."

Sub. 12. Domestic Corporations or Foreign Corporations

Contracts of General Agents with Their Sub-agents

Extract from letter dated September 21, 1906, from the Superintendent to Mr. Frederick A. Savage.

"The limitations as to expenses apply to life insurance companies doing business within this State. As to contracts of a general agent with his sub-agents the law is silent."

Life Insurance Corporations of Other States

Extract from letter dated October 5, 1906, from the Superintendent to The National Life Insurance Company.

"The last sentence of this section reads as follows: 'This section shall not apply to expenses made or incurred in the business of industrial insurance nor, except as to the limitation of expenses for the first year of insurance and as to compensation of and loans and advances to agents or solicitors, to stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively.' This applies equally as well to life insurance corporations of other States as to those of this State."

Limitation of Commissions Payable to a Soliciting Agent

Extract from letter dated October 7, 1907, from Superintendent to The Eastern Underwriter.

"Your favor of the 4th inst. in which you quote from my letter to Mr. Charles Jerome Edwards under date of September 26, 1907, has been received.

I am of the opinion that the clause you quote 'The legislative intent was that no life insurance corporation nor agent thereof

should expend or become liable for expenses in excess of the limitation prescribed,' does apply to general agents of life insurance companies of other States authorized to do business in this State, wherever said general agents may be located."

Sub. 14. Stock Corporations When Accepted

Limitation as to Renewal Commissions

Extract from letter dated June 4, 1907, from the Superintendent to The Washington Life Insurance Company.

"Your favor of the 27th ult., relating to the last clause of section 97 of the Insurance Law, has been received.

You wish to be advised whether, or not, under the clause referred to 'a stock company is relieved from limits as to renewal commissions.'

In my opinion this clause which relieves 'stock corporations issuing and representing themselves as issuing nonparticipating policies exclusively,' from the application of certain provisions of the section, does not relieve such corporations, 'from limits as to renewal commissions.'"

**SECTION 98 — SALARIES OF OFFICERS AND AGENTS — WHEN
FIXED BY BOARD OF DIRECTORS**

Sub. 2. Contract for Salary Limited to Twelve Months

Salaries of officers Must be Fixed Once Each Year

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

* * * * *

'II. That section 98 of the Insurance Law prohibits a domestic life insurance company from making salary agreements with its officers which will extend beyond a period of twelve months from the date of such agreements, and that, therefore, the salaries of the officers of such a company must be fixed at least once every year. * * *'

Sub. 3. Pension to Officer, Director or Trustee Forbidden***Establishing Pension Fund for Employees other than Officers and Directors***

Extract from letter dated October 1, 1908, from the Superintendent of Insurance to The Germania Life Insurance Company.

“ * * * This Department will recognize the power of your company to lawfully establish a fund and a system of distributing a pension among its employees other than officers and directors. * * *

Under the provisions of the Insurance Law it is important that there shall not be any contractual relations between the company and its employees as to a pension fund. No contract with employees may be made or extended with any provision to the effect that the employee shall participate in the pension fund as a consideration for his employment. Payments from the pension fund so established must be voluntary on the part of the company and provided for in such manner that payments can be suspended or terminated at any time and if so suspended or terminated the employee shall have no cause of action against the company.”

SECTION 100 — INVESTMENTS**Sub. 1. Bonds Secured by Adequate Collateral Security*****Purchase of Collateral Improvement Notes***

Extract from letter dated May 18, 1906, from the Superintendent to The Equitable Life Assurance Society.

“ Your communication of the 15th instant *in re* purchase of \$5,000,000 of the Pennsylvania Company's proposed issue of Collateral Improvement Notes maturing December 1, 1907, and requesting department approval thereto, is received.

The securities in question fall in that class expressly referred to in section 36 of chapter 326 of the laws of this year (§ 100 of the Insurance Law) as investments not allowable after June 1, 1906. For that reason, I do not feel that the department can give approval to such a purchase at this time, believing that such an act would be in contravention to the spirit of the amended insurance law.”

Meaning of the Words "Government" and "Adequate Collateral Security"

Extract from letter dated September 6, 1906, from the Superintendent to the Security Mutual Life Insurance Company.

"Your favor of the 1st inst. relating to loans on bonds by life insurance corporations, is received. Replying to your first question, I would state that the word 'government,' as used in section 100 of the Insurance Law, is not necessarily limited to the United States. * * * Life insurance corporations of this State can invest in or loan upon the 'government' bonds of those foreign countries only in which they transact business. To your second question I would reply that sections 16 and 100, read together, limit the collateral which may be accepted to such securities as the corporation is authorized to invest its surplus funds in. * * * The provision of section 100, that a corporation shall not 'loan upon any bonds or obligations which shall not be secured by *adequate collateral security*, * * *' applies to those bonds or obligations of private corporations whose issue is based upon the deposit of shares of stock. * * *"

Sub. 3. Approval of Sales of Stock

Sales of Securities may be made without first Obtaining Approval of Superintendent

Extract from letter dated May 28, 1906, from the Superintendent to Home Life Insurance Company.

"Replying to your letter of the 23d instant, it is my opinion that under the provisions of section 36 of chapter 326 of the session laws of this year (§ 100 of the Insurance Law), the directors of your company are at liberty to sell stocks and securities in such amounts and at such times as the directors shall deem best, and thereafter report such sales to this Department. I am not of the opinion that it will be necessary to first obtain my approval in writing before such sales are made."

Sub. 4. Authorization of Investment by Board of Directors*Investment in Bonds of any Private Corporation*

Extract from letter dated September 6, 1906, from the Superintendent to Security Mutual Life Insurance Company.

"Your understanding that sections 16 and 100, taken together, still permit a corporation to invest its surplus funds in, or accept as collateral security, the bonds of any private corporation if, in the judgment of the Board of Directors or Finance Committee such bonds are a safe investment, is, I believe, correct."

Loans on Collateral by Domestic Life Insurance Co. Must be Made by Board of Directors, or by a Committee Thereof

Extract from circular letter dated July 27, 1909, from the Superintendent to each Domestic Life Insurance Company.

"At a hearing on a recent examination * * * the following rulings were made, of which your company will please take notice:

1. That loans on collateral made by a domestic life insurance company must be made either by the board of directors of such company or by a committee thereof charged with the duty of supervising such loans; and that, consequently, loans made by the president or any other officer of such a company, merely on an authorization from the board of directors or such a committee, are not made in accordance with section 100 of the Insurance Law. It is thought that this view applies also to substitutions of collateral after such a loan shall have been made. * * *"

(See also Rulings cited under Section 16 — Investment of Capital and Surplus.)

SECTION 101 (OLD) — STANDARD FORMS OF POLICIES**Sub. 1. Application of Section***Foreign Life Insurance Companies Not Required to Issue Standard Policy Forms*

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that foreign life insurance corporations are not required to conform with the standard forms of policies

provided for in the act. Section 101, which sets forth in detail the four standard forms, specifically refers to all policies of insurance other than industrial policies issued or delivered within this State by any *domestic* life insurance corporation."

Forms of Policies Issued by Life Insurance Corporations of Other States

Extract from letter dated December 2, 1907, from the Superintendent to Berkshire Life Insurance Company.

"Section 101 of the Insurance Law of this State relating to standard forms of policies applies only to those issued by domestic life insurance corporations. The Superintendent is charged with no duties in connection with the forms of policies issued by life insurance corporations of other states doing business within this State, and can express officially no opinion thereon."

Translation of Standard Policy into French Language

Extract from letter dated October 26, 1906, from the Superintendent to the Metropolitan Life Insurance Company.

"Your favor of the 25th inst. relating to standard forms of policies to be issued by your company for delivery in the Province of Quebec, is received.

I am of the opinion that, for the purpose stated, a translation into the French language of the standard policy forms prescribed in section 101 of the Insurance Law, would be a compliance with the requirements thereof."

Policies Issued to Residents of New York State in 1906 and Paid in 1907 Must Be Recalled if Not Written on Standard Forms

Extract from letter dated November 21, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"You ask: 'Whether policies issued in 1906 on which the first premium is paid in 1907 are to be considered as having been issued in 1907, as would ordinarily be the case with policies reported in this manner and, if so, would it be necessary to recall all such policies and reissue them on standard forms?' To this my answer is yes."

Policies Issued in 1906 on Deferred Dividend and Non-Participating Plans in Mutual Company but Not Completed Until 1907.

Extract from letter dated November 27, 1906, from the Superintendent to New York Life Insurance Company.

"As to your inquiry on the question as to what business the provisions of the new Insurance Law relating to deferred dividends, prohibiting both participating and nonparticipating insurance, requiring standard forms of policies, relating to surrender values, will apply; that is, whether business commenced in 1906 but not completed until 1907 will come under the new law or not, I have to say I have considered that provision in all the application forms used by your company as follows:

'That the insurance hereby applied for shall not take effect unless the premium is paid and the policy delivered to me during my lifetime and that, unless otherwise agreed in writing, the policy shall then relate back to and take effect as of the date of this application.'

I have also considered your customary forms of policies which contain no date, but which do provide that: 'This policy shall take effect as of — day of ——— 190—;' the blanks in the above form being filled in with the same date as contained in the application. Under this state of facts, in my opinion, the business so done will be deemed business for the year in which the application is dated and it is agreed that the policy shall become effective and the provisions of law in force at the date of the application will control the contract."

Endorsements on Standard Policies

Extract from letter dated December 3, 1906, from the Superintendent to The Equitable Life Assurance Society.

"As endorsements on the backs of standard policies or supplementary contracts are no part of the contracts, I prefer to express no opinion in regard to them."

Special Clause in Standard Form When Insured is About to go to Tropics

Extract from letter dated December 13, 1906, from the Superintendent to New York Life Insurance Company.

"From your favor of the 11th inst. I quote as follows: 'We occasionally have a case of a party residing in the State of New York at the time when we insure him, but who is about to go to the Tropics. In such a case we charge the suitable premium for the region to which the party is going and place a special clause in the policy agreeing that, if he returns and takes up his residence again in a temperate zone, the premium shall be reduced to the domestic rate. Is it proper for us to insert such a special clause in issuing a policy on the standard form?'

In my opinion the insertion of such a clause in the policy form under the circumstances mentioned would be proper."

Endorsements on Standard Forms

See § 53, subd. 3, "Extra Hazard."

Removal of Lien Under Deferred Dividend Policies

Extract from letter dated January 24, 1907, from the Superintendent to New York Life Insurance Company.

"Your favor of the 17th inst., relating to substandard or under-average risks with liens and deferred dividends, was received by due course of mail.

You state 'It happens occasionally that, upon re-examination of the insured within some months after his insurance or upon further information of the facts, we find the risk a better one than we had rated it at the time of the original application and in such cases we are sometimes willing to remove the lien, issuing a changed policy from the original date covering the full face of the insurance.

The question is whether such a change as this, which increases the amount of immediate protection upon the life though not the amount of ultimate protection, is the issue of new insurance upon the deferred dividend plan in the year 1907.'

I am of the opinion that such a change as mentioned is not an 'issue of new insurance upon the deferred dividend plan in the year 1907.'"

Paid-up Given for Surrendered Policy

Extract from letter dated March 12, 1907, from the Superintendent to Metropolitan Life Insurance Company

"In your favor of the 9th inst. you ask: 'Are we correct in assuming that a paid-up policy, given in lieu of the surrender of a policy issued prior to January 1, 1907, and bearing a new number with current date and attained age, is to be considered as a continuance of the original insurance either in whole or in part and can be written on the old form of paid-up blank in use prior to January 1, 1907?'"

I am of the opinion that such a change of policies may be made by your company. If the paid-up is to be considered as a continuance of the original policy it should preferably be carried upon the original number, date and age; this will lessen liability to error in valuation. If thought best, the number could have a letter attached."

Special Clause in Standard Form When Insured is a Minor

Extract from letter dated July 9, 1907, from the Superintendent to New York Life Insurance Company.

"You state: 'For a number of years past it has been the custom of this Company to issue policies on the lives of children between the ages of fifteen and twenty-one, using the same premium rates as at age twenty-one. As all these policies are issued on the lives of minors, we have added a special clause to the policy, reading as follows:

The application for insurance on which this policy was issued having been made by the father of the minor insured, it is understood and agreed that the insurance contract is made with the father, and that any transaction between the Company and the father, or, in case of the prior death of the father, between the Company and the guardian of the insured, with reference to this

policy, shall be valid without notice to, or consent of, the insured during minority. It is also understood and agreed that after majority the Company shall deal direct with the insured as though the insurance contract had been made with him originally.

We still continue to use this clause in policies issued on the lives of minors in other states. Do you see any objection to adding a similar clause to the standard policy form of the State of New York in such cases?'

In answer would state that I see no objection to the endorsing of the above special clause upon the standard policy form of this State when necessary to fully explain the contract."

Changes in Deferred Dividend Policies Issued Prior to January 1, 1907, Allowed

See § 83, subd. 2.

Sub. A 2. Period of Grace in Policy on Monthly Payment Plan

Definition of "Industrial Insurance"

Extract from letter dated May 9, 1907, from the Superintendent to The Washington Life Insurance Company.

"You ask: 'In your opinion, would the *monthly payment plan*, even if used for policies for large amount, come under the class of 'Industrial Insurance' and thus give the option to the company to cut out the grace clause?'

In my opinion, policies such as you mention cannot be considered as 'Industrial Insurance' policies.

Enclosed herewith you will please find copy of letter from Vice-President Haley Fiske of the Metropolitan Life Ins. Co. relating to the definition of the words 'Industrial Insurance.'"

"THE METROPOLITAN LIFE INSURANCE CO.,
NEW YORK CITY, *February 14, 1907.*

"HON. OTTO KELSEY, *Superintendent of Insurance, Albany, N. Y.*

DEAR SIR.—In reply to your letter of the eleventh, I do not remember any Court decision defining what is termed Industrial Insurance. It seems to be defined by the Insurance Law in sec-

tion 91 in the following sentence: 'Agents operating solely for companies transacting industrial or prudential insurance on the weekly payment plan of insurance are exempted,' etc.

It is defined in the same way by section 76 of the Massachusetts law: 'On policies of industrial or prudential insurance on which the weekly premiums are not more than,' etc.

It was defined in the State of Louisiana last year in Act No. 65, section 1, as follows: 'Industrial Life Insurance is hereby defined to be that insurance for which the stipulated premiums, advances, assessments or dues are regularly payable or collectible every four weeks, tri-weekly, bi-weekly, weekly, semi-weekly, or at any other stated times less than a month apart.'

It was defined by statute in Missouri in 1897, in section No. 7943, as follows: 'Industrial or Prudential Life Insurance Companies in the meaning of this article are such life insurance companies that issue policies not exceeding \$500 in amount, the premiums on which are paid by a weekly rate and are collected and paid weekly under the term of the policies.'

In insurance literature, industrial insurance has often been defined as insurance on the weekly premium plan.

I think the name was adopted by this company when it began the business in 1879 of weekly premium insurance and its act in so doing was recognized by the Legislature of the State of New York in amending the charter of the company by providing for a separation of the accounts between the Ordinary Department and the Industrial Department. This seemed to give legislative sanction for the name industrial insurance for weekly payment insurance.

Very truly yours,

HALEY FISKE,

Vice-President."

Sub. A 7. Loans on Policies

Interest in Advance on a Loan Made on a New York Standard Life Insurance Policy

Extract from letter dated March 31, 1908, from the Superintendent to Mr. Robert K. Orr.

"You ask: 'Will you please advise me whether, under the New York Standard Policy, a Company can charge or collect interest in advance on a policy loan?'

The clause relating to loans, which is contained in the New York standard life insurance policy forms, is as follows: 'Loans — The Company at any time will advance upon the sole security of this policy, at a rate of interest not greater than * * * per centum per annum, a sum not exceeding the amount specified in the table of loan values herein set forth, deducting therefrom all other indebtedness hereon to the Company. Failure to repay any such advance or interest shall not void this policy unless the total indebtedness hereon to the Company shall equal or exceed the aggregate of all unpaid dividends and accumulations and of * * * per centum (not less than eighty per centum) of the net value of the policy and all additions thereto and thirty days' notice shall have been given by the Company.'

I am of the opinion that this clause does not permit a life insurance company to charge or collect interest in advance on a loan made on a New York standard life insurance policy."

Sub. A 10. Table of Loan and Surrender Values

Options on Surrender and Lapse

Extract from letter dated October 30, 1906, from the Superintendent to The Equitable Life Assurance Society.

"Your favor of the 27th inst., relating to options (a) and (b) on surrender or lapse in the New York standard life insurance policies, is received.

You call my attention to the fact that in the Table of Loan and Surrender Values, beginning at line 60 of the Ordinary Life policy, the values are not given in the order in which they are referred to in lines 50 and 51.

The forms as promulgated are standard only as to their contents and wording. There is no objection to a transposition of the columns headed 'Paid-up Insurance' and 'Continued Insurance' in the table mentioned."

Change in Table of Loan and Surrender Values

Extract from letter dated November 9, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 8th inst., in further reference to the change of heading of the first column of the Table of Loan and Surrender Values in the New York standard life insurance policy, is received.

You state that: 'It seems very clear that the provisions of the Insurance Law as to options on surrender, and the provisions of the contract made in harmony with the statute, are controlling, irrespective of the heading in the table.' This is undoubtedly so. But it was felt that the original heading of the first column of the Table of Loans, etc., was misleading and would lead to disputes. In order to provide for those companies desiring to make loans prior to the expiration of the third year, space was left in the table for the additional loan values.

I am of the opinion that under the circumstances the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Endorsement on Policy Concerning Table of Loan and Surrender Values

Extract from letter dated November 15, 1906, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 14th instant in further reference to the 'Table of Loan and Surrender Values' in the standard life insurance policy, is received.

"You write: 'I propose to meet this situation by advising the Company that there is nothing to prevent them from stamping upon a policy issued in New York a statement to this effect under the Table:

‘The Company will make loans after payment of annual premiums for the number of years indicated.’

This, of course, I take to be a substantial compliance with your ruling on the subject.’

The proposed endorsement, in my opinion, would be a substantial compliance with the ruling on the subject.”

Loan Clause in Standard Policy Forms

Extract from letter dated March 19, 1907, from the Superintendent to New York Life Insurance Company.

“You state: ‘If it meets with your approval, we should like to add a clause by means of a rubber stamp, or by printing, on the second page of the policy, as follows: “The ‘loan value’ stated in the above table opposite any year may be borrowed at any time during that year, if premiums have been paid in full to the end of such year.” In order that you may see just how the clause would appear on the policy, I am enclosing a form herewith on which we have written the endorsement modifying the loan column.’

The use of the clause stamped on the form enclosed in your letter has my approval.”

Surrender Values

Extract from letter dated July 26, 1906, from the Superintendent to The Washington Life Insurance Company.

“Your favor of the 24th inst. relating to the surrender values which may be allowed for life insurance policies issued on and after January 1, 1907, has been received.

I am clearly of the opinion that the surrender values, referred to in the third paragraph of section 88 of the Insurance Law, are minimum values, and that larger values may be allowed by Companies. The only limitation in the paragraph is that which is placed upon the surrender charges which may be made by the Companies.”

Cash Surrender Values

Extract from letter dated July 9, 1906, from the Superintendent to Metropolitan Life Insurance Company.

“There is nothing in the laws of this State to prohibit the inclusion of cash surrender values in policy contracts.”

Table of Cash Surrender Values

Extract from letter dated December 26, 1906, from the Superintendent to The Equitable Life Assurance Society.

"You ask: 'Is the Society justified in adding to the surrender value table in the standard policy a column giving the figures of the cash surrender value; or, instead of that, are we justified in printing under the table, or in some other convenient place in the policy, a paragraph to the effect that the cash surrender value is equal to the loan value with 5 per cent. added?'

In reply would state that there is no legal objection to the employment by you of either of the methods mentioned."

Sub. A 11-b. Modes of Settlement — Instalments*Additional Instalment Options*

Extract from letter dated April 28, 1909, from the Superintendent to the Metropolitan Life Insurance Company.

"From your favor of the 26th instant I quote as follows: 'In accordance with the terms of the standard policy form provided by the statute, Section 101 of Article II of the General Insurance Law, one of the modes of settlement is:

(2) By the payment of equal annual instalments for a specified number of years, the first instalment being payable immediately, in accordance with the following table, for each one thousand dollars of said total sum.

In the opinion of the department, would it be inconsistent with any of the provisions of the Insurance Law that settlements be made by instalments payable every three months instead of annually?'

I am of the opinion that equivalent quarterly instalments may be paid to the beneficiary instead of the annual instalments mentioned in the option, provided that a clause, giving to 'the insured or the owner or the beneficiary after the insured's death' the right to elect such payment, be 'indorsed upon or attached to the policy when issued.'"

Sub. D 7. Privilege of Renewal in Term Policy

Options in Standard Term Policy

Extract from letter dated October 31, 1907, from Superintendent to Home Life Insurance Company.

"In your favor of the 30th inst. just received you write as follows:

'The Standard Term Policy, on lines 42 and 43, reads as follows: The policy may here provide, at the option of the Company, for its renewal or for the privilege of change to other forms of policies, etc. Will you kindly give us a ruling as to whether the words 'may here provide at the option of the Company' can be applied both to the 'privilege of renewal' clause and the 'privilege of change' clause, thus enabling a Company to write a Term Policy without giving either privilege.'

In my opinion the words 'may here provide at the option of the Company,' do apply both to the 'privilege of renewal' clause and the 'privilege of change' clause, making the inclusion of either or both of these clauses optional with the Company."

Sub. D 13. Modes of Settlement—Term Policy

Form of Endorsement for Optional Decreasing Insurance, and Payment of Proceeds in Instalments

Extract from letter dated September 30, 1908, from the Superintendent to The Mutual Life Insurance Company.

"Your favor of the 28th inst., enclosing a copy of a Yearly Renewable Term Policy with a proposed form of endorsement thereon, has been received.

You state that: 'We propose to issue such policies so as to provide a fund for the education of children in the event of the parent dying before the child has finished his education,' and the form of endorsement proposed reads as follows:

'MODE OF SETTLEMENT AND SUM INSURED.—THE INSURED HAS ELECTED, with reservation of right to revoke such election, (a) that, upon receipt at the Home Office of the Company in the City of New York of due proof of the death of the insured, the sum insured shall be applied to the purchase of a Supplementary Non-participating contract, which shall provide

for the payment of equal annual instalments, the first instalment being payable immediately, for the number of years stated in column (2) of the table below opposite the year in which death occurs; AND (b) that, in lieu of the above 'Privilege of Renewal' for the full amount, this policy may be renewed at each policy anniversary for the reduced amount of insurance shown hereunder in column (3) for the corresponding policy-year, by payment of the premium shown hereunder, on the annual basis, in column (4) opposite the corresponding amount of insurance, on condition that when the amount of insurance has at any time been so reduced, it cannot again be increased by reinstatement of any part terminated. If the net amount payable at the death of the insured in any policy-year shall be the amount of insurance shown in the table hereunder for such policy-year, the amount of each annual instalment will be \$....., and if such net amount be more or less than said amount of insurance, the amount of each instalment will be increased or decreased in proportion.

(1) Policy Year	(2) Number of Annual Instal- ments Payable if Death Occurs	(3) Amount of Insurance	(4) Annual Premium
1st	\$.....	\$.....
2nd	\$.....	\$.....
3rd	\$.....	\$.....

Countersigned.....Registrar.'

The use of this form of endorsement for the purpose set forth above has my approval."

Sub. O. Standard Forms Promulgated

Minor Changes in Make-up of Policies

Extract from letter dated October 17, 1906, from the Superintendent to the Secretary of the Committee of New York Actuaries.

"The forms as promulgated are standard only as to their contents and wording. As printed by the companies there will undoubtedly be some minor changes in make-up; I would, however, strongly advise the retention of line numbers, even though there might not be exact agreement in lines and numbers in any one contract as printed by the different companies."

Sub. P. Proposed Forms of Policies*Additional Standard Forms of Policies*

Extract from letter dated November 16, 1906, from the Superintendent to Metropolitan Life Insurance Company.

“Upon proper consideration of the matter, I have determined not to approve policy contracts which are simply variants of those regular forms of policies which have hitherto been issued by all companies. You will of course understand that I do not refer to the changes necessary to make a participating contract a non-participating one.

It was the intent of the legislation of the last session to do away with the needless multiplication of policy forms by prohibiting the issuance, on and after January 1st next, of other than certain standard forms.

While I recognize the fact that the four styles of policy forms set forth in section 101 of the Insurance Law will not cover all the legitimate demands of the insuring public, and am ready to consider such forms as are needed to meet this demand, I am of the opinion that other and special forms should be passed upon by the Legislature at its next session.”

Policies with Return Premium Features

Extract from letter dated April 17, 1907, from the Superintendent to The Life Association of America.

“Your favor of the 16th inst., enclosing rate-book and five sample policies, is received.

I note that in one of the standard forms, that for Ordinary Life Insurance, you have written in a table of ‘Guaranteed Mortuary Dividends.’

At the hearing held in New York City on December 27th last, policies containing return premium features were presented and were not approved, these features being considered misleading and deceptive.

I am of the opinion that your Company cannot lawfully issue or deliver within this or any other State the form of policy referred to above.”

Proposed Change in Pure Endowment Form of Policy

Extract from letter dated August 7, 1907, from the Superintendent to The Equitable Life Assurance Society.

"You write: 'We have recently received a request for a Pure Endowment to be issued upon the life of a minor, the premiums under the policy to be paid by the child's mother, who desires that in the event of the death of the child the premiums paid shall be returned to her. We are blocked in the writing of the form by the words 'legal representatives or assigns of the insured.' We shall be glad to have you advise us whether in cases of this kind the Society is not justified in inserting the name of the person to whom the premiums are to be returned in lieu of the phrase *legal representatives or assigns*.'

I am of the opinion that the change suggested is unnecessary and unallowable."

Restricting Payments Under Annuity Contracts

Extract from letter dated September 16, 1907, from the Superintendent to Home Life Insurance Company.

"Your favor of the 13th inst., relating to an annuity which a father purposes to purchase for the benefit of a son, was received by due course of mail.

You state: 'The circumstances are such that the father wishes to absolutely preclude any possibility of the son selling or hypothecating all or any part of the annuity and he wishes an additional clause to be inserted in the policy contract in order to prevent any such disposition of the proceeds.'

As such 'additional clause' you submit the following: 'It is further agreed that no payment or payments to become due under this policy shall be made prior to the date or dates on which such payment or payments would become due, that no loan shall be made on the security of this policy nor shall the policy be purchased by or assigned to the said Company at any time hereafter and that no assignment of any benefit or benefits under the policy shall be recognized by the said Company.'

I am of the opinion that there is no legal objection to the use of this clause for the purpose and in the manner referred to above."

Reinsurance Policies

See § 22.

Additional Options in Deferred Annuity Contract

See § 58, subd. 3.

Sub. R. Approval of Additional Forms*Endorsement for Standard Policies to Cover Case of Preliminary Term Insurance*

Extract from letter dated August 12, 1907, from the Superintendent to Home Life Insurance Company.

"I am of the opinion that the endorsement, modified as shown by the copy enclosed herewith, may be used 'where the applicant states that it is not convenient for him to pay the full annual premium required by the terms of the policy at the time of year at which application is made.'

In consideration of the payment, upon delivery of this policy previous to the day of, 19.., of dollars and cents, being the charge for term insurance to said date, the Company hereby agrees, in case of the death of the insured previous to the said date, to pay the sum assured, subject to the conditions herein expressed.

On payment of the premium due on the day of, 19.., all benefits, privileges and conditions whatsoever, herein expressed, shall be of the same force and effect as if the policy had been originally issued on that date.

....."

Pro Rata Premiums for a Portion of the Year

Extract from a letter dated March 10, 1909, from the Superintendent to the Manhattan Life Insurance Company.

"Your favor of the 6th inst. enclosing a New York Standard Life Insurance Policy, Ordinary Life, 'arranged for this (proposed) pro rata rate,' has been received.

You write: 'Under date of August 12th, 1907, in a letter addressed to the Home Life Insurance Company, your predecessor approved of an endorsement to cover preliminary term insurance

in case it was desired to have the annual premium come due at a time of the year when the insured would be in funds. The only objection to the preliminary term insurance is that it very often changes the age of the insured, and we occasionally have a man who prefers to pay a pro rata rate, say from March 10 to September 15th, instead of paying a term rate.'

I am of the opinion that, under the circumstances, the change proposed is not a necessary one and that further I have no authority now to amend the policy forms promulgated on October 1, 1906."

Policy Forms Approved only upon Notice to Companies

See § 88, subd. 18.

Sub. W. Forms for Delivery in Other States

Forms of Policies Issued by Domestic Life Insurance Corporations for Delivering in Other States or Foreign Countries

Extract from letter dated March 12, 1907, from the Superintendent to Mr. Harry D. Williams.

"Your favor of the 5th inst., relating to section 37 of chapter 326 of the Laws of 1906, being section 101 of the Insurance Law, as amended, was received by due course of mail.

This section provides for 'four standard forms of policies, to wit: (1) An ordinary life policy, (2) a limited payment life policy, (3) an endowment policy, and (4) a term policy.' Provision is made for the alteration or amendment of these forms of policies 'by the direction of the Superintendent of Insurance at any time prior to the first day of October, nineteen hundred and six,' etc.

Provision is also made for other forms of policies desired by domestic life insurance corporations for issuance or delivery within this State; requiring them to be presented at a public hearing and to be approved by the Superintendent before the corporations should be entitled to use them in addition to the forms prescribed in the section.

The concluding paragraph of the section is as follows:

'Anything herein contained to the contrary notwithstanding, any domestic life insurance corporation may issue and deliver in

any other state, or in any foreign country, or may issue in this state for delivery in any other state or any foreign country, any form of policy not inconsistent with any of the provisions of the insurance law.'

I am of the opinion that this last paragraph will not permit any domestic life insurance corporation to issue in this State for delivery in any other State or any foreign country, any form of policy which by any amendment, alteration, provision or omission, materially changes any form of policy approved or promulgated by the Superintendent as provided for; nor will it permit the issuance by such a corporation for delivery within or without this State of any form of policy the use of which is restricted to this corporation or others licensed by it, under the provisions of the Copyright Law."

Forms for Delivery in any Other State, or in Foreign Country

Extract from letter dated October 21, 1907, from the Attorney-General to the Superintendent of Insurance.

"I am inclined to the view that the statute should be construed as though it provided that domestic life insurance companies could only issue and deliver in this State the standard forms of policy, but that they might issue in this State and deliver in any other State a variation or modification of the standard form approved by the Superintendent of Insurance, provided, of course, that such change or modification should not be inconsistent with the provisions of the statute. A different construction might well lead to preventing our domestic insurance corporations from doing business in other States of the Union, which could not have been within the legislative intent."

Extract from letter dated November 6, 1907, from Superintendent to Home Life Insurance Company.

"I am of the opinion that this (the last clause of section 101 of the Insurance Law), does not require forms of policies issued by any domestic life insurance corporation 'for delivery in any other State or any foreign country' to be submitted to nor approved by the Superintendent of Insurance."

SECTION 101 (NEW)—STANDARD PROVISIONS

Forms to be Filed and Approved

*Rulings required by the New section which became a law May 7,
1909*

Letter dated May 28, 1909, from the Superintendent to all Life Insurance Companies doing business within the State.

"In order to provide ample time for, as well as to set proper limits on, the submission of new policy forms, under section 101 of the Insurance Law of this State, as amended by chapter 301 of the laws of 1909 (a copy of which chapter is herewith enclosed) I have made the following rules, of which you will please take note:

1. That all companies doing business in New York be required not later than September 1, 1909, to file with the department six sample forms of each kind of policy to be issued or delivered in this State on and after January 1, 1910.

2. That such forms be filled out complete, with names, amounts, terms, etc., so that there will be no blank spaces.

3. That the companies indicate as to each form how it differs, if at all, from corresponding forms used by them in other states, giving the reasons for the differences or changes.

4. That each form be accompanied by all literature which the company uses or intends to use in connection therewith, together with the company's table of rates therefor.

5. Each form must also be accompanied by the application blank and medical examination blank.

6. Each form must be designated by a number, so as to be conveniently referred to.

7. No forms of policies will be approved by the department prior to November 1, 1909.

8. No forms of policies will be approved for use in 1910 other than those submitted prior to September 1, 1909."

Preliminary — Interpretation and Application — Pure Endowments are to be Considered as Insurances

Extract from letter dated July 20, 1909, from the Superintendent to The Mutual Life Insurance Company.

"You state: 'I wish to ask your opinion regarding Pure Endowment contracts. Section No. 101 mentions only Life and Endowment Insurance Policies. * * * Pure Endowments are not, therefore, covered by Section No. 101 of the new law. * * * Section No. 102 prohibits life insurance companies from issuing both participating and non-participating policies. * * * We desire to issue Pure Endowments next year at smaller rates of premiums than those now charged, but on the non-participating plan. * * * Will you kindly advise me whether or not you consider that the Pure Endowments which we issue should call for annual dividends.'

I would advise you that for the purposes of the Insurance Law Pure Endowments are to be considered as Insurances. See the Insurance Cyclopedica by Cornelius Walford, Vol. 1, p. 207, '20. Ins. of sums of money by way of endowment. (Endowments.)' "

Forms of Contracts Based Upon Persistence, or Cessation of a Human Life or Lives Must be Filed with and Approved by Superintendent

Extract from letter dated July 20, 1909, from the Superintendent to The National Life Insurance Company.

"Replying to your inquiry of the 16th inst., I would advise you that in order fully to comply with the requirements of section 101 of the Insurance Law as to the filing of forms of policies to be delivered in this State on and after January 1, 1910, it will be necessary for you to file copies of all contracts based upon the persistence or the extinction of a human life or lives, which you intend to issue for such delivery."

Approval of Policy Forms

Extract from letter dated July 6, 1909, from the Superintendent to the Union Life Insurance Company.

"I would advise you that a policy form that has been approved for one Company may be used by another without re-submission

for approval. However copies of all forms, including the present standard forms, which it is intended to issue or deliver in this State on and after January 1, 1910, should be furnished for approval or filing in accordance with the instructions contained in my letter dated May 28, 1909."

Forms of Policies for Delivery in this State in 1910 Must be Filed and Approved

Extract from letter dated July 27, 1909, from the Superintendent to the Postal Life Insurance Company.

"I am of the opinion that each life insurance corporation, authorized to transact business in this State, must file for approval copies of every form of policy contract which it purposes to issue or deliver in the State on and after January 1, 1910." (See Rules concerning Forms of Policies, page 242.)

Ruling of August 3, 1909.

"The forms of policies of life or endowment insurance for delivery in this State on and after January 1, 1910, and forms of the application blank upon which such policies are to be issued, should be drawn in accordance with the provisions of new section 101 of the Insurance Law and with due regard to the other provisions of the Insurance Law of the State of New York, which are intended to protect the interests of policyholders.

All advertising literature should be prepared with reference to the present state of the law of insurance in this State; if comparisons of rates, cost and results be made, such comparisons should be fair and just; non-participating rates and results should be compared with non-participating rates and results in other companies, and illustrations should be drawn from settlements made at a comparatively recent date and under present conditions."

Superintendent Has Discretion to Approve or Reject Policy Forms

Ruling of November 9, 1909.

"New section 101 provides that: 'On and after January 1, 1910, no policy of life or endowment insurance shall be issued

or delivered in this State unless and until a copy of the form thereof has been filed with the Superintendent of Insurance and approved by him.' The power thus given to me to approve forms of life insurance policies implies the power to disapprove all such forms as may seem to me unjust to the policyholder, or which unduly restrict or limit the right to enforce the same against the company. Any shortening of the limitation of the right to enforce a contract of life insurance when it shall mature as a death claim to a period less than the ordinary six year limitation provided in the Code of Civil Procedure seems to me unjust to the policyholder. * * * I have accordingly suggested to the few companies whose policies contained a limitation of less than six (6) years that they should either make the limitation six years or strike the provision from their policies and they cheerfully accepted the latter suggestion by eliminating from their policies all references to any limitation concerning the filing of a claim or the commencement of an action thereon."

Provisions Objectionable and Forms not Approved

Ruling of August 3, 1909.

"There was submitted a form of Application which contained these words: 'And that the policy applied for and this application shall be subject to and construed according to the laws of the State of' (Naming a foreign State). The ruling thereon was: 'This is not proper in a policy issued for delivery in the State of New York.'"

Ruling of August 3, 1909.

"There was submitted a form of Application which contained the following: 'I hereby agree and bind myself as follows: * * * That all provisions of law forbidding any physician, who has attended or who shall or who may hereafter attend me, from disclosing any and all information which he acquired, or which he may or shall acquire, by such attendance are hereby expressly waived.' The ruling thereon was:

'This conflicts with the provisions of section 834 and 836 of the New York Code of Civil Procedure and will not effect the purpose which it contemplates. In the case of *Holden v. The*

Metropolitan Life Insurance Co., 165 N. Y. 13, it was held that an express waiver in an application for a policy of life insurance of the provisions of section 834 of the Code of Civil Procedure, made by the insured after the amendment in 1891 to section 836, providing that such waiver could be made only upon 'the trial or examination' by his personal representatives, had taken effect, is ineffectual to permit disclosures by a physician of information which he acquired in attending the insured in a professional capacity.

It seems that no good can arise from the inclusion of such a waiver in the application, and it is likely that it would result in much needless litigation.

The application blank submitted by another company contained substantially the same provision and the same ruling was made thereon. The latter company then asked for a reconsideration of the matter and the General Counsel of the Company stated the reasons for retaining the waiver in its application blank, saying that: 'If the application blank were to be used alone in the State of New York it would be a practical matter to omit the part of it waiving the provisions of law forbidding a physician from disclosing information acquired in his professional capacity, but the provisions of the New York Law are not generally in force in the various jurisdictions where questions are likely to arise on the point covered by that phase of the application, * * * and this being a useful provision in the application blank whereas at common law the privilege may be waived, the Company has inserted a waiver in the application, understanding, of course, that it can only be used where the laws of the jurisdiction recognize such waiver. Therefore, while you are quite right in stating that the waiver will not accomplish the purpose intended in New York, it will accomplish the purpose intended in very many localities and so is adopted as a general form of the company. Its insertion in the application blank can do no harm in New York even if it does not do any good there.'

The ruling thereon was that: 'In view of the provisions of sections 834 and 836 of the New York Code of Civil Procedure, and the decision of the Court of Appeals in the case of *Holden v. The Metropolitan Life Insurance Company*, the use of such

waiver in this State is improper. I am of the opinion that the use of such waiver, the same being ineffectual, does do harm and especially would harm be done if a domestic corporation should continue a practice which is denied to foreign corporations. I believe that corporations which owe their existence to New York laws should yield ready acquiescence to those laws and their interpretation by the highest court of the State.”

Use of the Term “New York State Official Policies” Prohibited

Ruling of August 3, 1909.

“In the rate book, and in one of the advertising leaflets, the policies are designated as ‘New York State Official policies.’ There is no New York State Official policy and your policies should not be so designated, in the policies, in the rate book or in any literature descriptive of such policies.”

Term Forms

Ruling of March 31, 1910.

“It is suggested that in connection with the title at the top of the first page (of a term form) or at the foot of that page, there should appear the words, ‘Renewable-Convertible.’ These words point out two very obvious advantages which this contract offers over those term contracts which do not contain the Renewal and Convertible clauses and it is thought that in the interest of persistent insurance it will be well to use the words suggested as part of the descriptive title of such a contract as this.”

Ruling of March 31, 1910.

“The clause (in a Term form) entitled ‘Privilege of Renewal’ should state definitely and clearly whether the policy will be renewed (as a Term) without medical re-examination.”

Ruling of March 31, 1910.

“The clause (in a Term form) entitled ‘Privilege of Change to Other Forms of Policies,’ should state definitely and clearly whether that privilege will be granted without medical re-examination.”

Sub. 1. Grace in Payment of Premium

Ruling of August 9, 1909.

“The interest on premiums for the period of grace should be at a definite rate and such rate of interest should be ‘not in excess of six per centum per annum.’”

Sub. 2. Incontestability

Ruling of August 7, 1909.

“The provision concerning incontestability should follow the language of the statute ‘after two years from its date of issue.’”

“Date of Issue” Construed

Extract from letter dated November 16, 1909, from the Superintendent to the Northwestern Mutual Life Insurance Company.

“You ask: ‘Will you please give me your interpretation of the words *date of issue* in subdivision 2 of section 101, standard provision clause in the Law of 1909, amending the act in relation to insurance corporations. Does it mean the date which the policy bears, or the date when the home office executes and sends out the policy for delivery, or the date of actual delivery to the insured?’”

To this my answer is, the date which the policy bears, for original issues.”

Sub. 3. Application Made a Part of Policy Contract

Ruling of August 3, 1909.

“If a copy of the application is attached to the policy and thereby made a part of the contract (Section 58), the policy should in every such case contain a provision that ‘the policy and the application shall constitute the entire contract between the parties.’”

Sub. 4. Age of Insured Misstated

Ruling of August 3, 1909.

“The policy must contain a provision that if the age of the insured has been misstated, the amount payable under the policy shall be such as the premium paid would have purchased at the

correct age. A promise on the part of the company to refund the excess premiums when the age of insured has been over-stated does not satisfy the requirements of the statute."

Admission and Correction of Age

Ruling of August 7, 1909.

"The promise of the company to repay the excess premium when the age of insured has been overstated, does not satisfy the requirements of the statute."

Misstatement of age

Ruling of September 8, 1909.

"In the Annuity forms, the provision in regard to misstatement of age does not quite answer the requirement of the statute (new section 101, sub. 4). It seems that the correct way to set forth such a provision in an annuity contract would be to say, substantially, that: 'If the age of the annuitant has been misstated in the application then the amount of the annuity payable under the policy shall be such as the premium paid would have purchased at the correct age of such annuitant,' with a suitable reference to the company's rates in force at the date of issue of the contract, and to annuity payments made on the contract prior to the discovery of the fact that the age of annuitant has been misstated."

Sub. 6. Options on Surrender or Lapse

Ruling of August 3, 1909.

"The wording of this clause should follow the language of the statute 'after three full annual premiums shall have been paid.'"

Ruling of February 1, 1910, by Counsel to the Department.

"The Life Insurance Company submits the following clause for approval: 'It is expressly understood and agreed that this policy shall become ipso facto null and void in the event of the cancellation, for any cause, of policy No., issued by this company on the life of, the husband of the insured hereunder, and that all the benefits hereunder shall

thereupon cease except as to paid up insurance under the non-forfeiture clause on the second page hereof.'

I advise against approving this clause; the company should carefully examine the circumstances surrounding the application for 'wife insurance' in the first instance, and so avoid the risk it attempts to cover by the clause quoted."

Non-Forfeiture Options

See § 88, subd. 18, "Waiver."

Sub. 7. Policy Loans

Ruling of August 7, 1909.

"The provision in regard to loans should state definitely the rate of interest at which loans will be made to the owner of the policy. Section 101, sub. 7 requires that this provision recite that loans on the policy will be made 'at a *specified* rate of interest.'"

Ruling of August 9, 1909.

"The statute (sec. 101, sub. 7) requires that the policy shall contain a provision stating that loans will be made 'at a *specified* rate of interest.' It is not enough to say in the policy that 'The rate of interest charged shall not exceed six per centum per annum.'"

Proper Assignment of Policy

Subs. 7 and 8. Policy Loans

Extract from letter of the Superintendent, dated November 15, 1909, in reference to policy forms.

"The matter of the proper heading for the first column of the Table of Values in the forms of life insurance policies has been the subject of no little thought because of the variety of ways in which it has been presented.

I have therefore submitted to the Counsel to the Department, the question as to headings for this column which seem to be acceptable and in accordance with the requirements of the Insurance Law of New York, section 101, subdivisions 7 and 8, and the following is a copy of the memorandum of his opinion thereon:

'The policy must set forth, in the language of the *Loan*

clause and in the table attached, that the *loan* is available 'after three full years' premiums have been paid.

Expressions in the heading of the table are acceptable where the proper loan value is set forth on the line after '3' (meaning years) as,

(a) 'after payment of premiums for.'

(b) 'number of years premiums paid.'

(c) 'after policy has been in force,' provided the 'loan value' column is explained by foot note, stating that the loan value set forth in the table is available *during* the third year after premiums for that year are paid.

(d) 'at end of' provided the same foot explanation is made as in 'c' above.

To this it may be added that forms (a) and (b) are the ones which are more especially approved, although form (c) or form (d) will be accepted.

The foot note, if used, should state in substance, that: 'The loan Values,' provided for in the above table, for the end of policy-years can be obtained (less interest) during such policy-years, as set forth in the above clause entitled 'Loans.'

In case the table contains loan values opposite '2' (meaning years) the column may bear the heading: 'After Policy has been in force' or 'At the end of year,' provided the values are equal to or greater than the values required by the terms of section 101, subdivision 7 and are made available during the policy-year."

Sub. 10. Reinstatement

Ruling of August 3, 1909.

"The policy shall contain a provision that the policyholder shall be entitled to have the policy reinstated at any time within three years from the date of default and should follow the wording of the statute in regard to evidence of insurability, payment of overdue premiums and the rate of interest thereon."

Ruling of November 9, 1909.

"The rate of interest on premiums in default, in case of an application for reinstatement, may be set forth in the provision

in the policy which relates to reinstatement by saying that such interest shall be 'at a rate not exceeding six per centum per annum.' "

Sub. 11. Application to Single Premium Policies.

Ruling of December 31, 1909.

"A certain company asked: 'Which of the provisions that are required to be made a part of other policies may be omitted from a paid-up policy to be issued in exchange for a premium-paying policy, in fulfillment of its conditions.' The ruling thereon was as follows:

Provisions 1, 2, 4, 6 and 10 of section 101 are not applicable to such a policy.

Provision 3 is applicable only as to the first part thereof, since there is no application.

Provision 5 may apply, or it may not apply. It applies if the paid-up policy is participating and if it is non-participating it does not apply. If the paid-up policy is non-participating the fact should be stated plainly on the face of the policy.

Provision 7 should be modified by omitting any reference to premium payments, and as thus modified the policy should provide for loan values not less than those specified in the statute, which loan values shall be available at any time, subject to the company's right to defer such loans for not exceeding six months and to collect interest thereon in advance.

Provision 8 is not applicable except as to the loan values. Loan values should begin with the first policy-year.

Provision 9 may apply, or it may not apply. If the original policy provided for instalment payments, doubtless the paid-up policy should contain the same provision unless the policyholder waives that feature when taking out the paid-up policy. Or, in case the original policy did not contain the instalment feature, the company might, upon the request of the policyholder, include the instalment feature in the paid-up policy and the table of instalments would then be required. That provision is thus largely under the control of the company.

While it seems that, as above noted, provision 2 is not directly applicable it is thought the policy should recite that it

shall be incontestable from its date of issue except for violation of the conditions of the policy relating to military or naval service, in time of war."

Note.—The above rulings are intended to cover the case of a paid-up policy issued at the termination of the premium-paying period of a limited premium contract and might require some modifications in the case of a paid-up policy issued on the surrender of a policy which had elapsed for non-payment of premiums.

SECTION 102 — COMPANIES ISSUING PARTICIPATING POLICIES NOT TO DO A NON-PARTICIPATING BUSINESS

Sub. 1. Domestic Corporations Restricted as to Character of Business

Change from Non-Participating to Participating Business

Extract from letter dated June 20, 1906, from the Attorney-General to The Superintendent of Insurance.

"A domestic stock life insurance company can change from Non-Participating to a Participating business, but at any particular time must do one or the other."

Foreign Life Insurance Companies May do Both Participating and Non-Participating Business

Extract from letter dated September 1, 1906, from the Attorney-General to the Superintendent of Insurance.

"I am of the opinion that Foreign life insurance corporations heretofore licensed may hereafter be licensed if they do both a Participating and Non-Participating business."

Changes in Policies from Non-Participating to Participating Basis and Vice-Versa

Extract from letter dated November 20, 1906, from the Superintendent to Metropolitan Life Insurance Company.

"On the understanding that your Company is to do business on the non-participating basis on and after January 1, 1907, I am of the opinion that after that date changes from non-participating to participating forms may not be made and that changes from participating to non-participating forms or changes 'to

different forms in the same branch ' may be made. The changed policy bearing the date of issue of the original policy should be written on the form in use at the time the original was issued."

Reinstatement After 1906 of Participating Policy in Company Issuing Only Non-Participating Business

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your first question is: (1) 'In event of a participating policy having lapsed and application being made for reinstatement after January 1, 1907, would we be entitled to reinstate the old policy, giving to the assured the right to participate again in the surplus of the Society?' To this my answer is in the affirmative."

Changes in Participating Policies After 1906 in Company Issuing Only Non-Participating Business

Extract from letter dated December 13, 1906, from the Superintendent to Provident Savings Life Assurance Society.

"Your second question is: (2) 'In event of a policyholder desiring to change the form of his policy after January 1, 1907, from a participating form, could we 'issue' a new form with the right to participation on the plan desired, or would it be necessary for us to refuse such applications for change unless they were changes to non-participating forms?'

To this my answer is, a participating policy issued prior to January 1, 1907, may after that date be exchanged for another form of participating policy written on the original age and date of issue."

Company on Non-Participating Basis Not to Reinsure Participating Policies

Extract from letter dated July 26, 1907, from the Attorney-General to the Superintendent of Insurance.

"* * * You state that under date of November 14, 1906, the Actuary of the Metropolitan Life officially advised your department that, 'after the first day of January, 1907, this company will go exclusively on a non-participating basis.' * * *

I am, therefore, of the opinion that any insurance contracts

of other companies assumed by said company on or after January 1, 1907, must be exclusively non-participating and that they are forbidden by the clearest implication of law to enter into any participating contracts, even though such contracts were issued by such other companies prior to the date mentioned."

As to the Right of a Company to Change from a Participating to a Non-Participating Basis

On September 24, 1909, the Attorney-General advised the Superintendent of Insurance that a non-participating company which has changed to do a participating business cannot thereafter return to a non-participating basis.

See opinion of Attorney-General on page 117.

Sub. 2. Exception, Annuities

Survivorship Annuities

Extract from letter dated December 20, 1906, from the Superintendent to New York Life Insurance Company.

"You write: 'On behalf of the New York Life Insurance Company, I am instructed to ask for your opinion as to whether the term 'Annuities' as used in section 102 of the Insurance Law includes survivorship annuities?'

In my opinion the term 'Annuities,' as used in section 102, of the Insurance Law does include survivorship annuities."

Sub. 3. Interpretation and Application

Non-Participating Dividend Additions to Policies Issued Prior to 1907

Extract from letter dated March 12, 1907, from the Superintendent to The Manhattan Life Insurance Company.

"I am of the opinion that you can properly continue the practice of making dividend additions on the non-participating basis to the old annual dividend policies on your books. This also applies to the paid-up or extended insurance given for the surrender of your ten-year terms issued prior to January 1, 1907. Such paid-up or extended insurance policies should preferably be carried on the original numbers as that will tend to lessen errors in valuation."

*Meaning of Words "Issue," "Issuing" and "Issued" as Used
in §§ 83, 102 and 103*

See § 83, subd. 1.

SECTION 103—ANNUAL REPORTS OF LIFE INSURANCE
CORPORATIONS

Sub. 1-G. Repairs and Improvements

Expended for Repairs and Improvements on Real Estate

Extract from letter dated December 26, 1906, from the Superintendent to
The Manhattan Life Insurance Company.

"Your letter of the 24th instant, referring to Schedule A of Part I of the life statement blank, is received. The subheading 'Expended for repairs and improvements' under 'Operations during 1906' does not call for taxes or running expenses of Home Office building. This subheading is incorporated in the blank in conformity with an express provision contained in the amended Insurance Law, section 103, subdivision 1. 'Repairs and improvements' cannot be more accurately explained in the judgment of this department by the use of any other words. The accounts of your company should be so kept as to separate repair and improvement items from your other expenses on real estate. We do not suppose that you will desire a statement as to what constitutes your 'gross income.' Your 'net income' will represent the difference between your gross income and all expenditures for repairs and improvements, taxes, water rents and running expenses of your office building."

Sub. 1-L. Purchases and Sales of Real Property

Treatment of Foreclosure of Mortgage

Extract from letter dated January 14, 1907, from the Superintendent to The
Travelers Insurance Company.

"In reply to your letter of the 12th instant, regarding proper return to be made by your company in Schedule A, Parts 2 and 3, as printed on page 10 of Part A of the Annual Statement Life Blank, you are advised that the foreclosure of a mortgage on a parcel of real estate passing the title to the company constitutes

a purchase which should appear in Schedule A, Part 2, with a statement to the effect that it was a foreclosure.

Part 3 of this schedule is intended to show all parcels of real estate sold during the year. It is immaterial whether the property was acquired by direct purchase or through foreclosure proceedings."

Sub. 2. Loans Upon Security of Real Property

Mortgages Acquired or Disposed of During the Year.

Extract from letter dated January 23, 1907, from the Superintendent to New York Life Insurance Company.

"Your letter of the 22d instant, in the matter of the ruling of the department that all mortgages acquired or disposed of during the year 1906 must be returned in the schedule carried in Part B of the annual report blank at pages 6 and 7, is received.

This schedule as put up in the blank follows the precise phraseology of subdivision 4 of section 103 of the amended Insurance Law and the department is not prepared to sanction any changes or modifications therein.

We appreciate the fact that the modifications, as suggested in the memoranda covered in your letter, would make an exhibit much more appropriate for a showing of mortgage loans. Still, in order that uniformity may be maintained, it seems desirable that the present schedule as carried in the blank be used for the purpose of these returns, adjusting such returns in so far as possible to the schedule as set forth in the blank."

Sub. 3. Loans Other Than Mortgage Loans or Policy Loans

Collateral Loan Schedule

Extract from letter dated December 13, 1906, from the Superintendent to New York Life Insurance Company.

"In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised that the department holds that any collateral loan in existence at the beginning

of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.

Following this ruling, you will note that there will be no duplication of the collateral loan returns. They will be required to appear but once in the schedule of collateral loans."

Collateral Loan Schedule

Extract from letter dated January 25, 1907, from the Superintendent to New England Mutual Life Insurance Company.

"Your letter of the 24th instant, in reference to collateral loan schedule carried at pages 2 and 3 of Part B of our annual statement blank and asking for specific advices as to how 'certain loans' should be listed, is received. The case cited is as follows:

'Loan made August 1, 1902, renewed every six months; renewed August 1, 1905, for six months which established it on hand January 1, 1906; renewed again February 1, 1906, for six months and again for six months from August 1, 1906, leaving it outstanding January 1, 1907.'

It would seem desirable to quote the following from a letter addressed by this department under date of December 13, 1906, to the New York Life Insurance Company:

'In reply to your inquiry as to the proper manner in which to make a return of your collateral loans, as called for under the third subdivision of section 103 of the Insurance Law, the collateral loan exhibit appearing in Part B of the life annual statement blank at pages 2 and 3, you are advised that the department holds that any collateral loan in existence at the beginning of the

year 1906 and held at the close of said year should appear in subdivision 1 on page 2.

That any collateral loan made during the year 1906, and held at the close of the year 1906, should be returned in subdivision 2, page 2.

Any collateral loan in existence at the beginning of the year 1906, and discharged during 1906, should be returned in subdivision 3, page 3.

Any collateral loan made during the year 1906, and discharged during the year 1906, should appear in subdivision 4, page 3.'

Any collateral loan of the character referred to in your letter in existence at the beginning of the year 1906 and held at the close of said year should appear in subdivision 1 on page 2. Any collateral loan made during the year 1906, of the character referred to in your letter, and held at the close of the year 1906 should be returned in subdivision 2, page 2. The date of the loan is the date that it was originally made by the company. In the column 'Maturity of Loan,' should be carried 'for six months with privilege of renewals.'

In your letter herewith acknowledged you state: 'We presume that no collateral changes prior to January 1, 1906, are to be listed.'

In reply, the collaterals held on January 1, 1906, for any particular loan represent the starting point for the return to the department to be made in connection with such loan. Changes made in the collaterals after January 1, 1906, must necessarily appear."

Sub. 4. All Other Property

Schedule of all Property (Not Included in Real Estate, Mortgage or Collateral Loan Schedules) Owned by the Company

Extract from letter dated December 11, 1906, from the Superintendent to New England Mutual Life Insurance Company.

"Further acknowledging your letter of November 19th, wherein you ask for a ruling of this department as to certain returns to be made by a life company in the annual statement blanks furnished by us.

You first call attention to the schedule required in Part B of the department blank at pages 6 and 7 called for under section 103, subdivision 4, of the amended Insurance Law. You refer to the heading of such schedule which reads as follows:

‘Schedule of all Property (not included in Real Estate, Mortgage or Collateral Loan Schedules), owned by the Company or in which it has any interest, including all securities, whether or not recognized by law as proper investments, also all purchases and sales of Property (other than Real Estate), made during the year 1906.’

You then set forth in detail all the property and securities owned by your company or in which it has any interest, other than the classes specifically excepted above (Real Estate, Mortgage or Collateral Loan). The items mentioned by you are as follows:

‘Stocks and Bonds (listed in Schedule D, Parts 1 and 2).

Premium Notes.

Loans on Policies.

Cash.

Interest due and accrued on Bonds.

Interest due and accrued on Premium Notes and Policy Loans.

Interest due and accrued on other assets.

Rents due and accrued.

Market Value of Bonds and Stocks over Book Value.

Uncollected and Deferred Premiums.’

To the first item: Stocks and Bonds, to which you call attention as being required to be returned in Schedule D, Part A of the statement blank. They are required to be returned in said Schedule D but not with that detail required in Part B of the life blank and for that reason a duplication will be necessary as they must be returned in Part B in the schedule under discussion.

Premium Notes and Loans on Policies will not be required by the department to be returned in this schedule. (Part B, pages 6 and 7, edition of 1906.)

Cash will not be required to be returned in this schedule.

The various Interest items: Rents and Market Value of Bonds and Stocks over Book Value, will not be required to be

returned in this schedule. In connection, however, with bonds and stocks, as you have been advised, they will be required to be returned in this schedule as in such schedule appears the Book Value and Market Value.

Uncollected and Deferred Premiums will not be required to be returned in this schedule.

You continue with the suggestion that the record of 'Stocks and Bonds Purchased During 1906,' required in this schedule will, as you understand it, be practically a duplication of these securities furnished in the schedule on the preceding page of Part B, namely, subdivision 5, with the exception of the addresses of the payees. As you assume, the item on page 7, 'Outlay other than Cost,' will be the same as 'Amount of Commission' on page 4. It is true, as you suggest, that there is a duplication in these two schedules. It is unavoidable in preparing the blank in accordance with the amended Insurance Law. The two items referred to by yourself may be identical and they may not be. The item, 'Outlay other than Cost' may, at times, contain other items than the 'Amount of Commission.' In such cases these items will not, as you assume, be the same."

Adjustment for Bonds Bought at a Premium or at a Discount

Extract from letter dated January 18, 1907, from the Superintendent to Security Mutual Life Insurance Company.

"In further acknowledgment of your letter of the 14th instant regarding schedule of all property, etc., in the life statement blank, you are advised that the part which you quote: 'Actual cost with adjustment if made for amortization of premium and accrual of discount,' does not require adjustment for amortization or accrual *unless made by the company*. We find, however, that it is the practice of practically all companies to make a suitable adjustment to bring the value of the bonds to par at their maturity. There are, however, two or three different methods of adjustment, the best of them, however, being as follows, taking bonds brought at a premium for our example:

'Calculate the rate of interest earned upon the bond, taking account of the price at which it was purchased. When this rate of interest is obtained, determine the sinking fund which would wipe out the premium year by year until the bond matures.'

An actual example of this would make the matter much more clear. Let us take Boston city 4 per cent. bonds, which mature 1st of July, 1936, and which could have been bought on August 17, 1906, at a premium of \$30 per \$1,000 bond, plus accrued interest from 1st July to August 17. In order that the details of the transaction may be more readily seen we shall assume that a large amount has been bought, namely \$1,000,000. By the use of published interest tables, which your actuary doubtless has in his department, it is found that the rate of interest earned on this transaction is 3.83 per cent., making provision for the sinking fund to amortize the premium of \$30,000 at the same rate of interest (3.83). On the 31st of December, 1906, there would be four months and thirteen days accrued interest which, on an investment of \$1,030,000 would be \$14,574.21, which is partly interest and partly sinking fund. The accrued interest on the 31st December due to you is at the rate of 4 per cent. on \$1,000,000 for four months and thirteen days, and amounts to \$14,777.76. The difference between the last-mentioned amount and \$14,574.21 is the amortization or sinking fund (\$203.55). According to this method the amount which should appear in accrued interest is \$14,574.21, the balance of \$203.55 being charged to bond account. The book value of the bonds on the 31st December, 1906, is \$1,030,000 less the sinking fund, \$203.55, i. e., \$1,029,796.45, and the *actual cost* allowing for amortization of premium is the same.

We suggest that the foregoing plan be used by you in the future."

Sub. 5-B. Legal Expenses

Schedule of Legal Expenses

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

"Your third inquiry reads as follows:

'Schedule 5 of Part B, Annual Statement [edition of 1906]: 'Legal expenses paid in 1906.' In our Legal Expense Account are charged expenditures in connection with matters before Legislative bodies. Are we to include these payments in Schedule 5, also in Schedule 6, or enter them only in Schedule 6?'

In reply to your inquiry: On page 5 of part B is a schedule of legal expenses paid during 1906, in detail, required under section 103, subdivision 5, of the amended Insurance Law.

On page 8 of part B is a schedule of all expenditures in connection with matters before legislative bodies, officers, or departments of government during 1906 required under section 103, subdivision 6, of the amended Insurance Law, whether such expenditures be for legal services or otherwise.

These two schedules are prepared in accordance with the law. The officers of the companies in making returns in connection therewith are expected to comply with the spirit of the law."

Sub. 8-B. Payment of More Than \$5,000 to Any Person, Firm or Corporation

Instructions for Preparing Schedule

Extract from letter dated January 29, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

"Your communication of the 28th instant, referring to the proper return to be made in Schedule G of Part A of the annual statement in connection with commission payments to agents amounting to over \$5,000, is received.

This question has had the careful consideration of the department and under date of November 15th the Massachusetts department was advised in reply to the following inquiry: 'Referring to schedule G, page 16, part A of the life blank (edition of 1906), which is designed to cover the requirements of paragraph 8 of section 103 of the New York law, permit me to inquire if your department construes this schedule to include commission to agents if the amount paid to any one person during the year 1906 amounts to more than \$5,000:' That 'any person, firm or corporation acting as agents for a life insurance company receiving commissions of over \$5,000 in any year, must appear in Schedule G.'"

Sub. 8-C. Schedule of Salaries Paid for Agency Supervision

Instructions for Preparing Schedules

Extract from letter dated December 13, 1906, from the Superintendent to The Prudential Insurance Company.

"Your first inquiry reads as follows:

'Schedule H of Part A, Annual Statement [edition of 1906]: Salaries paid in the year 1906 to any representative, either at the Home Office or in any branch office or agency of the Company for Agency Supervision. Is it your intention that we include in this schedule salaries paid to our Industrial Department Superintendents, Assistant Superintendents, clerks in their offices, and Division Managers at the Home Office having charge of the Industrial Superintendencies, and the salaries paid for Agency Supervision of our Ordinary Department to the Agency Managers at the Home Office and agencies, including clerks or local cashiers in our Ordinary Department Managers' Agency offices, or only the salaries paid for Agency Supervision of our Ordinary Department to the Agency Managers at the Home Office and Agencies? When these salaries amount to over \$5,000, are they also to be included in Schedule G?' [Edition of 1906.]

In reply, Schedule H contemplates the return of all salaries paid in the year 1906 to any representative, either at the Home Office or any branch office or agency of the company for agency supervision. This contemplates a return showing the payment to an agency supervisor, not necessarily to a clerk employed by such an agency supervisor. There is no distinction made between the ordinary and industrial departments of companies doing both classes of business. The compensation to an agency supervisor in either of such departments should appear in the schedule.

* * * * *

Where the payment to an agency supervisor is over \$5,000, such payment should be returned in Schedule G. In such schedule is a proper column showing the title of his position. Any agency supervisor, either at the Home Office or at any branch office or agency of the company receiving a compensation of less than \$5,000, should appear in Schedule H."

Salaries of Agency Supervisors

Extract from letter dated January 21, 1908, from Superintendent to Mutual Life Insurance Company.

"You state that:

'We have in our service several men who are on the home office payroll, who aid and assist our Vice-President and Superintendent of Domestic Agencies in his general administrative supervision of the field. These men are designated as 'agency supervisors,' but being home office employees and not men who report to the managers, the question has arisen as to whether the expense for their salaries shall be reported under No. 19, 'Agency supervision, traveling and all other agency expenses,' or under No. 21, 'Salaries and all other compensation of officers, directors, trustees and home office employees.'

The district managers of this company are salaried employees, and are engaged in the supervision of agents and solicitors in their territories. They are assisted in this work by assistant managers and superintendents. Will you kindly decide whether the amounts paid for this service shall be reported under No. 18, 'Salaries and allowances for agencies, including managers, agents and clerks,' or under No. 19, 'Agency supervision, traveling and all other agency expenses.'

I am of the opinion that the compensation of the assistants to your Second Vice-President should be charged to item No. 21 of page 3 of the Annual Statement, and that of the district managers engaged in the supervision of agents should be charged to item No. 19 and also included in Schedule 'H' of the Statement." [Edition of 1906.]

Sub. 9. Largest Bank Balances During Each Month of the Year

Instructions for Making Returns on Blank

Extract from letter dated December 21, 1906, from the Superintendent to The Columbian National Life Insurance Company.

"Your letter of the 20th instant regarding Schedule E in Part A of the annual statement blank [edition of 1906], which calls for a showing of the largest balances carried in each bank during each month of the year, is received. This schedule is

required by the ninth subdivision of section 103 of the amended Insurance Law of this State, which reads: 'The largest balances carried in each bank or trust company during each month of the year.'

This necessarily means that all of the banks and trust companies with which you have deposits shall be listed and at any month in the year, where there is a balance deposited with such banks and trust companies, such balance shall be shown and that the day of the month when the largest balance is on deposit shall be the day used for the return.

Your suggestion that in totaling these balances, representing different days in the month, you have an improper showing, is a fact. In preparing the final revise of the blank this 'total' was through an inadvertence added. The return should be made in accordance with the instructions contained in this letter and the 'total' should be eliminated."

Sub. 11-b. Margins Upon Premiums

Mortality Gains by the Select and Ultimate Method

Extract from letter dated January 27, 1908, from the Attorney-General to the Superintendent of Insurance.

"* * * The so-called 'instructions,' to which objection is made, are contained in Schedule Q of the annual statement forms, which schedule relates to the margins and expenses for the first year of insurance, and are as follows:

'Mortality Gains by the Select and Ultimate Method

1. As to all policies where such gain computed by the formula exceeds the net premium (Am. Ex. $3\frac{1}{2}$ per cent.) less one-half vxq (Am. Ex. $3\frac{1}{2}$ per cent.), the excess of said net premium over said one-half vxq is to be taken as the gain; in other cases the full gain is to be taken.

2. As to all policies issued in 1907 and terminated in 1907, the proportionate part of the entire gain by the select and ultimate method, corresponding with the portion of the annual premium received, is to be included.'

This schedule and the instructions accompanying it are prepared in accordance with the provisions of subdivision 11 of sec-

tion 103 of the Insurance Law, as enacted by chapter 326 of the Laws of 1906. * * *

The obvious purpose of this requirement is to enable the Superintendent of Insurance to ascertain whether the limitation upon the amount which may be expended by life insurance corporations in procuring new business, contained in section 97 of the Insurance Law, has been complied with. * * *

The insurance companies * * * contend that this section prescribes the measure of a fund, the total of which may be used by them for the purposes enumerated, regardless of the provisions of any other section of the Insurance Law; that it is a limitation upon the total expenditure but is not a limitation upon the expenditure of any particular agent or as to any particular policy. This construction is directly contrary to the construction placed upon this section by the Appellate Division of the Supreme Court, Third Department, in the case of *Boswell v. Security Mutual Life Insurance Co.*, reported 119 App. Div. 723. * * *

It is the clear duty of this office, in advising a department of the State government, to follow the judicially construed meaning of legislative enactments. Sections 84, 97 and 103 of the Insurance Law in their present form were enacted by chapter 326 of the Laws of 1906, known as the Armstrong bill, and all must be construed and read together as they constitute one comprehensive scheme of remedial legislation. Under date of November 21, 1907, I submitted to you an opinion as to the construction of sections 84 and 97 of the Insurance Law and under the ruling in the *Boswell* case and the logical deductions therefrom, I see no reason to modify the views therein expressed. The first 'instruction,' as above quoted, is in conformity to that opinion and I believe it to be in accordance with the provisions of the statute.

As to the second 'instruction' above quoted, however, I am of the opinion that the same is not warranted by the statute. Section 97 expressly permits the use by the company of the aggregate amount derived from the 'total loadings' and from 'the present values of the assumed mortality gains for the first five years of insurance on the policies on which the first premium, or instalment thereof, has been received during said calendar year.' I can see nothing in this language permitting the limitation of these

so-called gains to a 'proportionate part' thereof. The statute plainly says that the whole gain is available if any instalment of the premium has been paid. The only limitation is that covered by my former opinion, namely, that there first must be set aside from the premiums received an amount sufficient to pay the cost of carrying the policy at select rates to the date when the next premium or instalment thereof is due; and the whole of the balance of the premium actually received by the company would seem to be available to the company as a 'margin' under section 103, provided, of course, that such balance does not exceed the 'margin' permitted, that is, the aggregate of the loadings and the assumed gain. * * *

Interpretation of the Language of Section 97 of the Insurance Law as Applied to Schedule "Q"

Extract from letter dated October 23, 1908, from the Superintendent to Mr. J. H. Woodward, Auditor and Assistant Actuary, New York Office Insurance Department, State of New York.

"Your favor of the 21st instant relating to the interpretation which is to be placed by the Department upon the language of section 97 of the Insurance Law, has been received. I quote from your letter the following:

'Under the instructions appended to Schedule Q covering the business of 1907, as well as under various department rulings, the information to be set forth therein is upon the basis of premiums on policies issued in 1907, which were either collected in 1907, or outstanding or deferred on December 31st of that year. All items received or disbursed in 1907, which pertained to policies issued in 1906, were excluded.

If this schedule were put on the so-called cash basis for the year 1908, it would of course mean that the loadings on all first-year premiums actually collected in 1908, whether or not the policy was issued in the year previous, would be included in the calculation and that loadings on semi-annual and quarterlies outstanding or deferred December 31, 1908, on issues of 1908, would be excluded. As to mortality gains, I suppose it would mean that a full year's mortality gain should be included on all policies where the first premium or instalment thereof is actually collected

in 1908, using the proportional gain in cases of terminated policies. The commissions would be those paid or to be paid on all premiums actually collected in 1908 and the medical fees those payments in 1908 which pertain to new business.'

The ruling contained in my letter to the Metropolitan Life Insurance Co., dated July 9, 1906, and the instructions appended to Schedule Q covering the business of 1907, were worded to fit the then circumstances of the case, and with the knowledge that they would necessarily have to be modified after the first year.

I would advise you that, beginning with the business of the current year, Schedule Q should be made up in accordance with the second paragraph quoted from your letter."

In re Schedule Q for 1908

Extract from letter dated April 29, 1908, from the Superintendent to The Travelers Insurance Company.

"Your favor of the 23d inst. was received by due course of mail; in full it reads as follows:

'In the instructions for making up Schedule Q of the annual life statement for 1907, your department stated that the calculations for expenses and allowances on first year's business were to be based upon policies issued and paid for in 1907. This would mean that a policy issued in 1906 and paid for in 1907 was not to be included. I assume that your ruling was based upon several points in the Insurance Law of 1906, among others the first part of section 97 (Limitation of Expenses): 'No domestic life insurance company shall in any calendar year after the year 1906,' also in section 84 a part of the third sentence is as follows: 'Provided that the legal minimum valuations of all contracts issued on and after the first day of January, 1907, shall be,' etc. I conclude, therefore, that you used the words 'issued and paid for' because you did not think the law should apply in any way to any period preceding 1907. Inasmuch as the instructions restricted to business issued and paid for in any particular year would mean that if applied to 1908, or to any future year, the business issued in one year and paid for in another year would be entirely left out, and inasmuch as limitation of expenses in sec-

tion 97 refers to 'the policies on which the first premium or instalment thereof has been received during said calendar year,' I assume that in making up Schedule Q for the year 1908 and in the interpretation of section 97 in general, as far as first year's expenses are concerned, those policies are to be considered on which the first premium or first instalment thereof has been received during said calendar year; and I assume that the calculations are not to be confined to policies issued and paid for during the year as in the case of 1907.

'I shall be glad to know if this is your interpretation of the law.'

To this my reply is in the affirmative."

Mortality Gains by Select and Ultimate Method of Valuation

Extract from letter dated June 10, 1909, from the Attorney-General to the Superintendent of Insurance.

* * * * *

"I advise you that under the decision of the Court of Appeals (*Boswell v. Security Mutual Life Insurance Co.*, 193 N. Y., p. 465) this section (97 of the Insurance Law) is to have no effect whatever upon contracts with agents entered into before its passage. * * *

The Mortality gains (by Select and Ultimate method) reported in Schedule Q of the annual report, need not include such gains acquired through an agent holding a contract not subject to section 97, because they have no effect one way or another upon the amount which the company can expend for new business.

In considering this question it should be borne in mind that not every contract which antedates the enactment of this section (97) is excluded from its limitations. Only those contracts so entered into which have a definite period to run, which has not yet expired, are so exempt."

(See the opinion in full, beginning at page 60, Part V of 1909.)

Sub. 11-c. Foreign Corporations*Separate Statement of Profit and Loss, etc., on Participating and Non-Participating Policies Issued by Foreign Corporations*

Extract from letter dated September 28, 1906, from the Superintendent to The National Life Insurance Company.

"The language of the subdivision is mandatory, and your company will be required to make a separate statement of profits and losses, etc., with reference to your Participating and to your Non-Participating business."

Separate Statement of Profit and Loss Exhibit on Participating and Non-Participating Policies Issued by Foreign Companies

Extract from letter dated January 8, 1907, from the Superintendent to The Mutual Benefit Life Insurance Company, referring to section 102 and subdivision 11 of section 103.

"Reading these provisions together I am of the opinion that foreign life insurance companies of other States formerly issuing both participating and non-participating policies, and which on the 1st inst. discontinued issuing one of these forms, will not have to make the 'separate statements' mentioned in the subdivision referred to above."

Sub. 12. Gains on Policies Written After 1906*Meaning of the Word "Written" in Section 103, and "Issued" in Sections 83 and 102*

Extract from letter dated January 8, 1907, from the Superintendent to the Provident Savings Life Assurance Society.

"* * * Your statement: 'That the meaning of the word 'issued' as used in the Armstrong amendments (in sections 83 and 102) imports a different act from the act of delivery which by the terms of the contract would give the policy its legal inception and is used synonymously with the word 'written,' as used in insurance parlance, and in section 103 of the law,' is in my opinion correct."

SECTION 110 — INCORPORATION

Insurance Against Automobile Collision

Extract from letter dated March 14, 1908, from the Attorney-General to the Superintendent of Insurance.

“It is my opinion that such insurance is permitted by companies incorporated under section 70 and (or) section 150, but not by those incorporated under section 110.”

REPORTS

ON

OFFICIAL EXAMINATIONS

[273]

Reports on Official Examinations

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 30, 1909

Hon. WILLIAM H. HOTOHKISS, *Superintendent of Insurance,
Albany. N. Y.*

SIR.—In accordance with your directions as contained in appointment No. 2205, hereto annexed, we have made an examination of the affairs of the Metropolitan Live Stock Insurance Company of Syracuse, N. Y., an assessment company operating under the provisions of article VIII of the Insurance Law.

We find the condition of said company on June 22, 1909, to have been as follows:

ASSETS		
Cash in bank.....		\$53 56
LIABILITIES		
Unpaid claim (unadjusted).....	\$75 00	
Borrowed money	291 54	
Total liabilities		366 54
Excess of liabilities over assets.....		\$312 98

Incorporation and Removal of Principal Office

This company was incorporated November 18, 1908 with its home office in the city of New York. On or about June 9, 1909, upon the resignation of certain officers and trustees, B. E. Wood, and Tessie J. Wood, of Syracuse, N. Y., and A. L. Wood of Binghamton, N. Y., were elected to the board and subsequently the former was elected president and the latter secretary and treasurer. It appears that the home office could not legally be removed from the city of New York until the by-laws were amended, but a resolution was adopted by which the principal

office of the company should hereafter be located in the city of Syracuse, N. Y., and that the home office should be continued only nominally in the city of New York, until such time as the by-laws could be properly amended, and that all books, records and affairs of the company should be turned over to the newly elected president and transferred to the city of Syracuse, N. Y.

Upon examination of the company's affairs at the Syracuse office, we were unable to find any of the old records of the company, except the membership book and an ordinary memorandum book which contain, among other things, what purported to be an account of the company with the Carnegie Trust Company of New York city. We were informed by the president that there were no assets on hand at the time of his election and that at the time of the said removal of the company to Syracuse, all liabilities had been paid.

The above mentioned account with the Carnegie Trust Company shows balance on hand of \$90.41, but no entries have been made since March of this year and the president informs us that he knows nothing of any cash or other assets on hand when the reorganization of officers and the subsequent transfer occurred, nor of any other books or records which the company may have had.

Your examiners found that no adequate books are now being kept, not even a cash book or ledger. The president appears to have no proper conception of the responsibilities of his office; no idea of the nature of the organization of the company, its past business, contracts, certificates, etc. He seems to regard the business as a private enterprise, and admits he agreed to pay \$1,000 to certain individuals for the election of himself, wife and brother to the board of directors, and for the full control of the company's affairs. Since his election as president, it appears he has loaned the company the net sum of \$291.54, no account of which has been kept. With what intelligence we could gather from the bank-book, check-book and memorandum book, a statement of the income and disbursements from June 9, 1909, the date of removal to Syracuse, and June 22, 1909, is as follows:

INCOME		
Premiums and fees.....	\$114 12	
Borrowed money (net).....	291 54	
Total income		\$405 66
DISBURSEMENTS		
Death losses	\$250 00	
Salary of president.....	12 00	
Postage	4 00	
Advertising	2 10	
Rent	10 00	
Clerk hire	8 00	
Inspection of risks.....	24 00	
Advance commissions	21 80	
Commissions	3 50	
Total disbursements		352 10
Balance assets June 22, 1909.....		<u>\$53 56</u>

The Consolidated Veterinary Service Company

Prior to the removal of the Metropolitan Live Stock Insurance Company to Syracuse, N. Y., it had entered into certain contracts of insurance jointly with The Consolidated Veterinary Service Company, by which certain veterinary services were provided in the policy and a certain benefit to be paid in case the animal under treatment died. It appears that the contract which the Metropolitan Live Stock Insurance Company issued under this agreement was a certificate, the nature of which was to indemnify the said Veterinary Service Company, in case the latter became liable for the payment of the death benefit. The records are very obscure regarding the present status of this class of certificates and the president was unable to give us any real information concerning the same. He informs us that the Metropolitan Live Stock Insurance Company has been released from all liability in connection with this class of certificates, except on three still outstanding outside of New York city. Mr. J. J. Harris of New York city, president of the said Veterinary Service Company, informs us, however, that the said Metropolitan Live Stock Insurance Company is still liable on all these joint certificates outstanding, and that there are now thirty-five certificates with \$7,725 of insurance of this class still in force. We are also informed that no more certificates of this class will be issued.

Certificates and Insurance in Force

The records are in such condition that we are unable to give accurately the total number of certificates and amount of insurance in force. From the best information obtainable, we find the same to be approximately 107 certificates, with insurance amounting to \$24,440.

We file herewith a copy of certificate now being issued, also a copy of the one heretofore issued by the two companies jointly, above mentioned.

Respectfully submitted,

JOHN E. DIEFENDORF,
CLARENCE J. NORTON,
Assistant Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

John E. Diefendorf and Clarence J. Norton, being duly sworn, depose and say that the foregoing report, subscribed by them, is true to the best of their knowledge and belief.

JOHN E. DIEFENDORF,
CLARENCE J. NORTON.

Subscribed and sworn to before me
this 30th day of June, 1909.

[SEAL] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT
NEW YORK OFFICE, 165 BROADWAY
NEW YORK, July 29, 1909

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your directions, as contained in appointment No. 2189, hereto annexed, we have made an examination of the Dukes and Duchesses of Edom, a fraternal beneficiary association, incorporated and doing business under the provisions

of Article VII of the Insurance Law. As a result, we hereby report the condition of the said association on June 23, 1909, to have been as follows:

LEDGER ASSETS

Cash in bank.....	\$137 77	
Cash in secretary's hands.....	330 45	
	<hr/>	
Total Ledger Assets.....		\$468 22

Non-Ledger Assets

Assessments in process of collection.....		60 40
	<hr/>	
Total Assets.....		\$528 62

LIABILITIES

Unpaid death claims.....	\$52 00	
Advance assessments.....	19 64	
Unpaid miscellaneous accounts.....	195 59	
	<hr/>	
Total Liabilities		267 23
	<hr/>	
Balance (surplus).....		\$261 39
	<hr/>	
	<hr/>	

A statement of the income and disbursements from June 1, 1908, to June 23, 1909, inclusive, is as follows:

Balance Ledger Assets June 1, 1908.....	\$254 98
---	----------

INCOME

Mortuary assessments	\$1,878 64	
Per capita tax.....	219 80	
Expense assessments	64 40	
Sick and accident assessments.....	3 00	
Certificate fees	33 00	
	<hr/>	
Total income from members.....		2,198 84
	<hr/>	
Total		\$2,453 82

DISBURSEMENTS

Death benefits	\$630 76	
Assessments returned	3 50	
	<hr/>	
Total paid to members.....	\$634 26	
Organization expense	592 16	
Traveling expense	68 29	
Printing, office supplies and expense.....	141 05	
Commission and collection fees.....	137 27	

Rent	\$182 50
Telephone, telegraph and postage	36 42
Office hire	175 75
Miscellaneous	17 90
	<hr/>
Total disbursements	\$1,985 60
	<hr/>
Balance ledger assets June 23, 1909	\$468 22
	<hr/>

Organization, Plan of Insurance and Rates

This association commenced business November 1, 1906. It insures the lives of members of both sexes, between the ages of 16 and 56, for a sum not exceeding \$2,500. It also issues sick and accident benefit certificates to persons between the ages of 21 and 56. The death benefit certificates are issued in two classes, A and B, the assessments of each class being rated according to age and collected monthly.

The amount of insurance issued under class A is based on a monthly assessment rate and ranged from \$250 to \$2,500 up to age 39 inclusive; from \$250 to \$1,500 between the ages of 40 and 46 inclusive, and from \$250 to \$1,000 between the ages of 47 and 56 inclusive. The amount of insurance issued under Class B is based on a certain per diem assessment rate, but collected monthly.

The following tables are exhibits of the rates for certain ages in both classes:

Class "A"

Amount of insurance	\$250. Mo. rate	\$500. Mo. rate	\$1000. Mo. rate	\$1500. Mo. rate	\$2000. Mo. rate	\$2500. Mo. rate
Age						
16 to 20	\$0 25	\$0 45	\$0 90	\$1 40	\$1 90	\$2 50
30 to 34	40	75	1 50	2 35	3 15	4 00
40 to 44	55	1 10	2 15	3 35	.....	.....
50 to 53	80	1 60	3 15	.....	.....	.....

Class "B"

Rate	1c. per day insur- ance	2c. per day insur- ance	3c. per day insur- ance	4c. per day insur- ance	5c. per day insur- ance
Age					
21	327	654	981	1308	1635
30	249	498	747	996	1245
45	141	282	423	564	705

A per capita tax of 10 cents per month per member is also levied on class "A" for the expenses and a certificate fee of \$1.00 may be charged.

General Condition of Business

The business of this association is not conducted along the most progressive lines. While the affairs of the supreme body are at present conducted from the office of the association's attorney, who receives a small compensation for extra office room and clerk hire, it is to be noted that no other salaries are being paid and that the association shortly expects to have a home office of its own from which its affairs will be directed.

Your examiners called attention to certain defects in the book-keeping system of the association, which defects are probably due to the small amount of business done, and are informed that such defects will be remedied.

This association has seven regularly organized castles (lodges) and its total membership in good standing at the time of the examination was 173. The officers claim that the membership is about 250.

While the affairs of this association are not in what might be called a satisfactory condition, yet your examiners were informed that efforts will at once be made toward building the association up and respectfully recommend that it have an opportunity so to do.

Respectfully submitted,

JOHN E. DIEFENDORF,
CLARENCE J. NORTON,
Assistant Examiners.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

John E. Diefendorf and Clarence J. Norton, being duly sworn, depose and say, and each for himself says, that the foregoing report, subscribed by them, being in amendment of the same report, subscribed and sworn to by them on the 30th day of July, 1909, is true to the best of their knowledge and belief.

JOHN E. DIEFENDORF,
CLARENCE J. NORTON,

Subscribed and sworn to before me
this 23d day of August, 1909.

[L. s.] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, July 31, 1909

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR: In accordance with the terms of your appointment No. 2175, dated May 12, 1909, which is hereto annexed, we have completed the examination of the Union Life Insurance Company. This examination contemplated a verification of the annual statement of the company for the year ended December 31, 1908, and a general inquiry into the methods employed by the company in the transaction of its business.

The condition of the company on December 31, 1908, was as follows:

Balance ledger assets December 31, 1907..... \$477,367 72

Income

Premiums first year less \$98.76 re-insurance	\$14,180 83	
Surrender values applied to purchase paid-up insurance and annuities	2,496 00	
	<hr/>	
Total new premiums		\$16,676 83
Renewal premiums less \$307.93 reinsurance	\$76,893 53	
Dividends applied to pay reinsurance premiums	27 60	
	<hr/>	
Total renewal premiums.....		76,921 13
Dividends left with company to accumulate at interest		228 84
Gross interest on mortgages.....	\$10,580 62	
Gross interest on collateral loans.....	1,230 68	
Gross interest on bonds and dividends on stocks less \$138.89 accrued interest on bonds acquired in 1908.....	6,363 31	
Gross interest on premium notes, policy loans and liens.....	1,615 16	

Gross interest on deposits in banks	\$503 77	
Gross interest on other debts due company	221 66	
	<hr/>	
Total gross interest.....	\$20,515 20	
Premiums held subject to examination by medical department	296 47	
	<hr/>	
Total income		\$114,638 47
		<hr/>
Total		\$592,006 19

Disbursements

Death claims	\$25,800 00
Premium notes and liens voided by lapse	2,258 58
Surrender values paid in cash.....	25,337 87
Surrender values applied to purchase paid-up insurance.....	2,496 00
Dividends paid in cash.....	4 59
Dividends applied to pay new premiums	27 60
Dividends left with company.....	228 84
	<hr/>
Total paid policyholders..	\$55,953 48
Investigating and settling policy claims	894 20
Dividends held on deposit surrendered during year.....	27 60
Commissions first year, \$6,423.07; renewals, \$2,601.48	9,024 55
Commuted renewal commissions..	1,543 36
Salaries and allowances for agencies	4,560 59
Agency supervision, traveling, etc.	40 00
Medical examiners' fees, \$1,825; inspection of risks, \$498.50....	2,323 50
Salaries and compensation of officers, directors and home office employees	29,805 35
Rent	5,837 97
Advertising, \$780.16; printing and stationery, \$1,691.69; postage, telephone, telegraph, etc., \$2-073.67	4,545 52
Legal expense	1,549 00
Furniture, fixtures and safes....	30
State taxes on premiums.....	1,236 15

Insurance department fees.....	\$176 00	
Ledger assets other than pre- miums received from other com- panies	233 56	
Loss on sale of bonds.....	126 11	
	<hr/>	
Total disbursements		\$117, 877 24
Balance		<hr/> \$474,128 95 <hr/>

Ledger Assets

Mortgage loans on real estate.....	\$197,500 00	
Loans made to policyholders.....	24,131 00	
Premium notes	985 20	
Book value of bonds.....	\$141,792 77	
Book value of stocks.....	64,162 50	
	<hr/>	
	205,955 27	
Cash	6,665 21	
Deposits in trust companies and banks on in- terest	20,989 81	
Bills receivable, \$1,025; agents' balances, Dr. \$5,171.79, Cr. \$331.59; net, \$4,840.20.....	5,865 20	
Liens on policies.....	12,037 26	
	<hr/>	
Total ledger assets.....		\$474,128 95

Non-Ledger Assets

Interest due, \$150, and accrued, \$440, on mort- gages	\$590 00	
Interest due, \$200, and accrued, \$1,658.50, on bonds	1,858 50	
Interest accrued on premium notes and liens..	319 43	
Interest due on other assets	133 42	
	<hr/>	
Total interest due and accrued.....		2,901 44
Due from other companies for losses or claims on policies of this company reinsured.....		218 42
Net uncollected and deferred premiums.....		9,589 23
	<hr/>	
Gross assets		\$486, 838 04

Deduct Assets Not Admitted

Agents' debit balances.....	\$5,171 79
Cash advanced to officers or agents (cash items)	86 37
Bills receivable (advanced to agents).....	1,025 00
Premium notes, liens, loans and net uncollected and deferred premiums in excess of the net value of their policies.....	1,190 86

Book value of stocks and bonds over market value	\$22,338 22	
Policy loan included in ledger assets, policy cancelled in 1908.....	164 00	
Policy liens for which the company has no notes	92 87	
Book value of mortgage loans in excess of market value	700 00	
	<hr/>	\$30,769 11
Total admitted assets.....		<hr/> <hr/> \$456,068 93

Liabilities

Reserve on policies in force December 31, 1908, less net value of risks reinsured.....	*\$221,387 00	
Liability on policies cancelled on which a surrender value may be demanded	484 00	
Claims for death losses.....	\$1,436 84	
Claims for death losses and other policy claims resisted	14,779 18	
	<hr/>	16,216 02
Dividends left with the company to accumulate at interest, \$228.84, and accrued interest thereon, \$26.33.....	255 17	
Premiums paid in advance.....	252 70	
Unearned interest	492 13	
Commissions due agents on premium notes when paid.....	83 87	
Salaries, rents, office expenses, bills and accounts due or accrued	606 74	
Medical and legal fees due or accrued.....	92 50	
State, county and municipal taxes due or accrued.....	1,050 55	
Liability on account of dividends due policyholders according to division of profits under charter.....	56,388 95	
Liability on account of charter membership fund, \$3,524.23; class A membership fund, \$3,526.27	7,050 50	
Premiums received and held subject to examination by medical department	\$296 47	
Liability on account of offer to return premiums on cancelled policies.....	2,045 42	
	<hr/>	2,341 89
Capital stock	200,000 00	
	<hr/>	
Total liabilities	\$506,702 02	
Impairment	50,633 09	
	<hr/> <hr/>	

* If the reserve had been computed on the basis of premium as stated in the policy after age 65 the reserve would have been increased \$90,608 and the impairment would have been increased accordingly.

Organization

The Life Association of America, an assessment company operating under article VI of the insurance law, was organized and commenced business in March, 1901. The policies issued by it were on the whole life plan with a level premium, and contain the provisions for extra premium calls in case of excessive mortality.

Concurrently with the organization of the mutual company the management planned the formation of a stock company and on May 29, 1901, secured a charter for a stock company bearing the same name to operate under article II of the insurance law.

On August 7, 1903, the stock company began business under authority of the insurance department and on September 14th of the same year it assumed all the policies of the mutual company under a contract of reinsurance.

The mutual company was dissolved on March 3, 1904, pursuant to an order of the supreme court.

In May, 1908, the Life Association of America petitioned the supreme court for authority to change its name to the Union Life Insurance Company. The petition was granted and the name changed August 10, 1908.

The capital stock of the company is \$200,000 divided into 10,000 shares of \$20 each.

Since January 1, 1907, the company has been issuing non-participating policies only.

The following officers and employees of the company were examined under oath: Henry P. Townsley, president; Eugene Van Schaick, vice-president and general counsel; George A. Brettell, actuary; and William J. Blackburn, cashier. Their testimony is filed with this report.

ASSETS

Mortgage Loans

Two mortgage loans for the sum of \$10,000 were made in June, 1908, to the Kazdan Building and Improvement Company, and represent a joint loan made by the Union Life Insurance Company, and Agnes I. Vincent, wife of its treasurer, John W. Vincent. The principal and interest are guaranteed by the

Title Insurance Company. By an agreement the company's interest is limited to \$7,500 at 5 per cent. while Mrs. Vincent's interest in the same is declared to be the excess in the balance of the principal with $5\frac{1}{2}$ per cent. on her portion, and an additional one-half of 1 per cent. on the portion held by the company. No authority for this investment appears to have been made by the directors of the company as required by section 100 of the insurance law. As to this the company claims that the executive committee authorized this and all other investments under the provision of the charter which states that it — "shall also exercise a general supervision over the business of the association."

An appraisal of the property covered by mortgage No. 2, by Mr. Jesse B. Manahan under date of June 5, 1909, gives the present value of same as \$4,300. The amount of the loan is \$5,000, and we have therefore deducted the sum of \$700 excess of book over market value as an unadmitted asset.

Bonds and Stocks

The bonds and stocks reported in the annual statement were counted with the exception of 200 shares of the stock of the Chesapeake & Ohio Railway Company, which were sold on March 2, 1909, and the corporate stock of the city of New York on deposit with the insurance department at Albany. The sum of \$22,338.22 excess of book over market value has been deducted as an asset not admitted, and the company so treated it in its last annual statement.

Policy Loans

The loans were checked with the ledger. A loan of \$164 on policy No. 2694 is deducted as an asset not admitted, as the policy was cancelled in 1908, but by oversight the loan was not charged off until January, 1909; this deduction has also been made by the company.

Premium Notes

The notes were checked and found correct.

Liens on Policies

The liens on policies could not be reconciled with the ledger account. An item of \$55.56 charged twice was deducted and a like amount taken from the income on account of renewal premiums, leaving the ledger balance on lien account \$12,037.26, of which \$2,418.74 applies to first year's premiums. Of the total amount of policy liens \$92.87 has been excluded as an asset not admitted. This represents \$125.02 for which the company holds no notes, less \$32.15, the difference between the liens as scheduled and the corrected ledger balance.

Cash in Office and Bank

Cash in office was verified by actual count. Cash in bank was verified by the company's books and reconciled with certificate from bank.

Bills Receivable

This represents advances made to agents for which the company holds agents' notes. It is deducted as an item not admitted, and has been so treated by the company.

Agents' Balances

These amounts were checked with the agents' ledger and the debit balances deducted as an asset not admitted, which was also done by the company.

Interest Due and Accrued

The due and accrued interest was computed and allowed at \$2,901.44.

Reinsurance

The amount due the company on account of reinsurance has been reduced from \$5,000, the face of the claim, to \$218.42, the proportionate amount actually received in 1909 by reason of compromise, which is offset by a similar reduction in liabilities.

Deferred and Uncollected Premiums

The net amount of deferred and uncollected premiums has been reduced from \$10,131.51 to \$9,589.23, a difference of \$542.38, which is accounted for by understating the loading.

The company did not compute the actual loading but estimated it at 45 per cent. on new premiums and 15 per cent. on renewals. By using the actual net premium in each case we find that the loading should have been \$2,588.14 instead of \$2,045.76, as estimated by the company.

Cash Items

Items to the amount of \$86.37 included in the cash in office and representing amounts advanced to or in the hands of officers or agents have been deducted as an asset not admitted, and was so treated by the company in its last annual statement.

Excess

The excess of premium notes, liens, loans and net uncollected and deferred premiums over the net value of their policies has been increased from \$142.37 to \$1,190.86, and also deducted as an asset not admitted.

LIABILITIES

Reserve

Policy contracts for the purpose of valuation may be divided into three classes:

1. Policies issued by the Life Association of America, a mutual company, and assumed by the stock company.
2. Policies issued by this company prior to January 1, 1907.
3. Policies issued after January 1, 1907.

Policies in the first class have been valued as one year term insurance, and the total valuation on this class on December 31, 1908, amounted to \$6,080. By the terms of the reinsurance contract the company waived the assessment clause and substituted a provision to the effect that these policies should be treated as yearly renewable term, and that when the policyholder reached an age at which his premium is less than 10 per cent. in excess of the yearly renewable term rates at his then attained age, that he should then and thereafter pay an increasing rate in accordance with the table annexed to the reinsurance contract.

A list of policies on which the premium is less than 10 per cent. in excess of the yearly renewable term rate has been filed with this report.

In the correspondence with policyholders inquiring into the status of their insurance, the officers invariably stated that the excess in premium paid by the policyholder in the early years would provide for the deficiency in the later years. Assurances were also made that increased premium rates would not be necessary. In his testimony President Townsley states that the excess payments made in early years are to be applied in reduction of future premiums.

The company has kept no separate mortality or other gain and loss account with regard to these mutual policies, has made no increases in premium rates, but has generally treated them as whole life contracts except in the reports to the insurance department for valuation purposes.

It is to be observed that the table of yearly renewable term rates annexed to the reinsurance contract, and forming part of it, does not provide for any premium rates beyond age sixty-five. The premium rates of the company are approximately sufficient to have carried the insurance for a whole life without any increase. All of the assets of the old assessment company were turned over to the stock company, approximating \$85,000. It becomes the duty of your examiner in estimating the reserve liability of this company to determine what interpretation should be given to the contracts of the assessment policyholders as modified by the reinsurance contract with respect to the premium payments that they shall make after age sixty-five. At the hearing on this report the company abandoned the position that these policies shall be charged with an increasing renewable term rate after age sixty-five, and contends that the rate given in the table at sixty-five shall be the level rate thereafter. On the other hand, the original policy in the hands of the policyholder provides for a specific premium at all ages. This was modified by the reinsurance contract.

In making up the financial statement of this company we have computed the legal reserve upon the policies in accordance with the company's contention, which valuation charges a deficiency reserve in the premium above sixty-five of \$41,309. If the interpretation of the contracts is given that the rate above age sixty-five shall return to the original rate specified in the policy, the amount necessary to provide for the deficiency is \$131,917.

The correspondence of the company relating to this subject is annexed hereto and marked Exhibit I.

Group 2. The valuation is made on American 3½ per cent. preliminary term. Policy No. 4658 cancelled on the company's register should be treated as in force, increasing the reserve \$59.

Group 3. Policies in this group are valued on the select and ultimate American 3½ per cent. table. Ten policies have been issued by the company to a so-called preferred class who pay extra premiums by reason of occupation. We have charged an additional reserve of \$205 on these policies.

Total increase in the reserve, charged as a liability, is \$41,573.

Liability on Policies Cancelled on Which a Surrender Value May be Demanded

The company carries a liability of \$866 under this heading. This has been reduced by \$382 representing a liability on policy No. 4390. This latter item properly belongs in the liability on account of premiums tendered on cancelled policies, and we have included it under that heading at \$417.40, the amount paid in 1909.

Death and Other Policy Claims

The company reports under death claims in the annual statement a liability of \$24,000. This was made up as follows:

Hines	\$10,000	
Sweeney	2,000	
Prall	2,000	
		\$14,000
Resisted — Lever		10,000
		<u>\$24,000</u>

The Hines claim was settled in 1909 for \$436.84, and we have set up this amount as the liability. The Sweeney and Prall cases are resisted by the company, but were not reported under schedule F. The Reynolds and Erickson death claims for \$500 each were omitted entirely by the company. The Reynolds claim was settled in full in 1909. The Erickson case became a death claim in 1908, but the company refused to pay. Suit was begun by the beneficiary in 1909, after the filing of the company's

annual statement, and on trial judgment was rendered against the company, from which an appeal is now pending.

Samuels v. the Company. This is a claim by a policyholder for the return of premiums paid and a rescission of the contract on the ground of misrepresentations made by the company and its agent. Judgment was rendered against the company for \$766.18, and costs, \$13. The case is not reported by the company among its liabilities.

As revised the claims for death losses in process of adjustment amount to	\$1,436 84
Resisted by company	14,779 18
Total policy claims	<u>\$16,216 02</u>

Premiums Paid in Advance

This item has been decreased to \$252.70 by eliminating errors found in the company's schedule.

Accrued Liabilities

By checking the actual vouchers we have increased the amount from \$341.49 to \$604.74, and the medical and legal fees from \$76 to \$92.50.

Dividends and Other Profits Due Policyholders

The charter of the company provides that the surplus applicable to the payment of dividends shall be distributed as follows: three-tenths to stockholders and seven-tenths to participating policyholders.

The company has paid in dividends during its existence the sum of \$25,000 to its stockholders, and the sum of \$1,944.38 to its policyholders. The proportionate amount due to policyholders under the provisions of the charter is \$58,333.33, of which amount \$56,388.95 still remains unpaid.

According to the sworn testimony of its officers the company at all times when dividends were declared to stockholders had sufficient surplus for the proportionate amount of dividends due to policyholders. We have therefore included the unpaid amount among the liabilities of the company.

Premiums Received and Held Subject to Action by Medical Department, and Premiums Tendered by the Company to the Insured on Policies Cancelled on Account of Misrepresentation

The method adopted by the company in cancelling the risks after the policy has been issued, delivered and one or more premiums collected is described elsewhere in this report.

For the purpose of estimating the company's liability on these policies, we have divided them in the following manner:

1. Where the actual cancellation on the company's register did not take place until after December 31, 1908, the liability is included in the reserve.

2. Policies cancelled in 1908 but not surrendered until 1909, the liability is the amount paid by the company upon surrender of the policy.

3. Where the insured made no surrender of his policy, liability is the amount of gross premiums collected by the company.

The company's estimate was found insufficient and we have increased the amount to \$2,341.89.

Charter and Class "A" Membership Funds

An agreement was entered into between the Life Association of America, the mutual company, and its charter members, whereby the company obligated itself to set aside a sum to be known as the charter membership fund equivalent to 1 per cent. of the total premium income in the state of New York on policies in force December 31st of each year, to be divided among the survivors at the end of ten years.

A similar agreement annexed to this report and marked Exhibit II was made with the next 500 policyholders known as Class "A" members by which similar funds were to be created on the basis of the premium income in each of the states of New York, New Jersey and Pennsylvania, to be distributed in the same manner. These agreements were annexed to the policies and assumed by the stock company under the contract of reinsurance. In cases where any of these policies were exchanged for a form of policy issued by the stock company, a certificate was

issued to the effect that the policyholder would participate in one of the above funds as if no change had been made.

We find the amount of the charter membership fund to be....	\$3,524 23
And of class A to be.....	3,526 27
	<hr/>
Making a total of	\$7,050 50
	<hr/> <hr/>

This amount has been included among the company's liabilities.

Income

The company has no system of agents' reports and there are no stated times at which agents report and remit their premium collections. The only evidence of collection and remittance was found in the correspondence and this was very incomplete and unsatisfactory. Agents frequently send a check with a letter stating that the same is in payment of premiums on a number of policies without giving the slightest intimation of the amount paid on each, whether it is annual, semi-annual, quarterly, or whether the amount remitted is gross or net, and if net, the amount of commissions retained. A daily record of premium receipts is kept and this record was checked to the ledger, resulting in the difference of \$55.56 before mentioned.

Dividends applied to pay renewal premiums have been reduced from \$32.19 to \$27.60. The same error is repeated in the corresponding item of disbursements.

Disbursements

The disbursements for the year were checked with the vouchers.

Among the vouchers are several for commission and agency expenses which were paid to John W. Vincent, treasurer, and approved and receipted by the same person. In explanation Mr. Vincent states that these vouchers are signed by him in his capacity of treasurer of the Consolidated Agency Company.

Ratio of Expense to Loading

The gross premium income of the company for business written in 1908 amounted to.....	\$94,650 89
Which represents net premiums of.....	68,454 50
	<hr/>
And loading	\$26,196 39
	<hr/> <hr/>
The insurance expenses of the year amounted to.....	\$58,342 82
	<hr/> <hr/>

The salaries of officers for the year were as follows:

Henry P. Townsley, President.....	\$12,000 00
Eugene Van Schaick, Vice-President and General Counsel...	6,000 00
John W. Vincent, Secretary and Treasurer.....	3,000 00
George G. Van Schaick, Medical Director.....	3,000 00
Total	<u>\$24,000 00</u>

From the above it is apparent that the company paid in salaries to officers over 25 per cent. of its entire premium income, and more than 91 per cent. of the entire loading on its premiums.

Cost of New Business

Schedule Q, as prepared by the company, shows an excess of margins over expenses amounting to \$264.34.

The company presented no detailed schedule of margins for loading and assumed mortality gains. It was therefore necessary to tabulate in detail the actual loading and the present value of the assumed mortality gains. This resulted in an increase of \$102.90.

On ordinary life policies containing a pure endowment provision we have allowed the full mortality gains without any deduction on account of the pure endowment feature for the reason that published tables for policies of this character are not available and the amount involved would not materially affect the result.

Under the item of commissions we have included the sum of \$1,145.28, which represents the first installment of commuted renewals paid by the company with the first year's commissions.

For medical examinations the company has failed to include its expenditure on rejected risks. We have added \$962 to cover this and also \$30 to cover accrued bills for inspections.

For advances to agents against new business we have included the sum of \$493.78. The company does not report any advances.

The total margins as computed above amount to.....	\$7,339 73
The total expenses amount to.....	9,603 55

The excess of expenses over margins amounts to.....	<u>\$2,263 82</u>
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Schedule Q as revised by your examiners is annexed to this report and marked "Exhibit III."

Commissions to Agents

To enable the company to pay higher commissions than the law permits; to hold out to nonparticipating policyholders the prospect of a deferred dividend payable in twenty years; to make advances against commissions on new business and renewals, the officers of this company have conceived the ingenious plan of organizing a realty company known as the Union Mutual Real Estate Company. That company issues a bond on a twenty-payment plan with dividends payable at maturity and insures the bondholder for term insurance in the Union Life. This practically promises the bondholder an endowment policy with a deferred dividend.

The realty company, not being hampered by any legal restrictions in the matter of expenditures, can pay commissions, make advances and promise deferred dividends regardless of any provisions of the insurance law.

The officers frankly admit that this scheme was devised for the purposes above stated and the correspondence reveals the fact that agents are frequently urged to sell bonds with a deferred dividend in the real estate company with term insurance in preference to selling endowment insurance in the life company.

There is even a case on record of an applicant who was rejected for life insurance and subsequently accepted for term insurance as a bondholder. The officers claim this was a mistake, but the circumstances preclude the idea of a mistake and indicate that the transaction was deliberate. Mr. Townsley testifies that the realty company was used as a feeder for the Union Life, but that the scheme proved a failure and has cost him personally one thousand dollars.

The Consolidated Agency Company, a New Jersey corporation, in which the company's officers are interested as stockholders, receives 15 per cent. renewal commission on business written before and since January 1, 1907. This agency is the assignee of the contract entered into between the Life Association of America and George C. Capron. The contract is dated October 5, 1904, and the assignment October 10, 1904. The contract does not provide for any commission on nonparticipating business. Mr. Townsley, however, says that although the contract

does not mention nonparticipating business it does not exclude it and commissions are therefore paid.

The contracts with other agents present the following features:

User Marcus is permitted to retain all of the first premiums in lieu of rent and office expense, and Messrs. Townsley & Van Schaick are personally making him advances against his renewals.

Mr. Ernst in Chicago is allowed \$2 per thousand dollars of paid-for insurance without limit, in lieu of rent.

Mr. Kann in Pittsburgh has the same allowance of \$2 per thousand of paid-for insurance without limit, in lieu of expenses.

Commutation of Renewal Commissions

The company commutes renewal commissions to a cash value on the following basis:

Where the contract with the agent provides for a $7\frac{1}{2}$ per cent. renewal the commission is commuted to a cash value of $37\frac{1}{2}$ per cent. payable as follows:

Fifteen per cent. with the first year's commission on the payment of the first premium; 15 per cent. on payment of the second premium, and $7\frac{1}{2}$ per cent. on payment of the third premium.

Where the contract provides for 5 per cent. renewals the commissions are commuted to a cash value of 30 per cent. payable as follows:

Twelve per cent. with the first year's commission on payment of the first premium; 12 per cent. on the payment of the second premium, and 6 per cent. on payment of the third premium.

Commutation on the above basis was inaugurated by the company in 1907, but the approval of the Superintendent of Insurance was not obtained until long after this method of commutation had been in vogue.

Furthermore, an examination of the vouchers for commissions discloses the fact that renewals were frequently commuted in violation of the agents' contracts. Thus, in the case of agent User Marcus 5 per cent. renewals were invariably commuted at $37\frac{1}{2}$ per cent. instead of 30 per cent. as provided for. In certain instances the company promised its agents commissions as high as are paid by mutual companies issuing participating policies.

All contracts with agents are made and executed by the president without the approval of the board of directors or the executive committee. Mr. Townsley maintains that the charter confers this power upon him.

Correspondence of the company relating to commissions is annexed hereto and marked Exhibit IV.

Stock Options

As an inducement to prospective policyholders options to purchase the company's stock are offered by officers of the company through its agents. The option gives the policyholder the right to purchase one share of the company's stock at rates varying from \$40 to \$60 per share, for each one thousand dollars of insurance when his policy shall have been in force three years and the fourth premium paid. The options are issued on a form of certificate which bears all the earmarks of the company's certificate and are signed by H. P. Townsley. The company's officers maintain that these options are personal and not company transactions. The correspondence, however, is carried on in the company's name and the agents of the company are used in the sale and collection of the proceeds of the options.

While the policyholder is offered the privilege of purchasing the stock at a price which is 200 to 300 per cent. in excess of its par value, the stock has practically no market value and at public sale has sold as low as five or six dollars a share. To the non-participating policyholder the alluring prospect is held out that his dividend will come from the stock rather than insurance, by illustrations showing the rise in the stock values of the Equitable and the Prudential Life Insurance Companies. Similar options were issued to agents for the purpose of getting them interested in the company. Their options, however, gave them the privilege of buying the company's stock at par. Options for 1309 shares were outstanding on December 31, 1908. Correspondence in relation to this subject is annexed hereto and marked Exhibit V.

Cancellations

Until April, 1908, the company had no access to the library bureau which furnishes records of rejections and impairments

of risks. From that date the company through the Hooper-Holmes Information Bureau began a systematic inquiry into all the risks carried on its books with the particular view of determining whether the insured had been previously declined by any other life insurance company. When the information bureau reported to this company that the policyholder described in the inquiry had been either declined or impaired, the company forthwith wrote to the insured as follows:

"In your application you stated and warranted in writing that you had never made application for life insurance on which a policy was not issued, and the policy thereafter issued to you was given upon the strength of the warranties and representations which we now find to be false. We find that shortly prior to making this application in writing you were rejected by another insurance company for various reasons, and had we known of this you would not have been insured in this company. We demand that you return the policy issued to you by this company and we hereby offer to return to you the premiums received therefrom less the expenses incurred by this company in placing the policy."

A schedule of policies cancelled in this manner by the company during 1908 and 1909 is filed with this report. This schedule includes policies written since the organization of the company as well as those assumed by the stock company under the terms of the reinsurance contract. On new business written in 1908 and 1909 the practice of the company is to make inquiry after the policy has been issued and delivered, and the premium collected by the agent. This is contrary to the general practice of all careful life insurance companies, and in our opinion is unjust to the policyholders.

The policies are cancelled by the president without any authority from the board of directors on the ground of alleged false statements made by the policyholder to the medical examiner in his application for insurance. We have made a careful examination of all the cancelled policies and find that even in those cases where the insured told the truth regarding previous rejections, the company has nevertheless cancelled the policy. See case of Eugene Lee, policy No. 5110. In other cases where the alleged cause for cancelling the policy was a misstatement of age, the company had full notice of the facts through the reports

rendered by the inspection bureau and the medical examiner. See case of Fanny Martine, policy No. 5685.

Although nearly all of the policies cancelled contain an incontestable provision, the company proceeded to cancel the policies without any hearing to the policyholder except in two or three isolated cases.

The early applications issued by the mutual company do not contain any direct question regarding the applicant's prior rejection. The only question bearing on this point reads: "Has any physician ever given an opinion that you were not safely insurable?"

When the insured consented to a surrender of the policy the company returned the premiums collected less commissions, medical examination and inspection and cost of insurance. The company justifies this mode of settlement by the decision rendered in the case of *Mincho v. Bankers Life*, 129 App. Div. 332.

In this connection we want to call attention to clause ten in agent's contract which provides that when a policy has been cancelled and the premium returned, the commission paid shall be charged to and refunded by the agent. In no case that has come to our attention has the company charged to the agent the commission on any of the cancelled policies, but in each instance has reimbursed itself at the expense of the policyholder.

The reports from the information bureau in some cases state that the risk was "declined" and in other cases "impaired."

The company made no effort to ascertain the meaning of these terms but proceeded to cancel the risks on the assumption that in all cases the policyholder had been previously rejected and had made false statements in his application for insurance, when in fact it had no proof of any misrepresentation.

Your examiners understand that the word "impaired" is used when the policyholder has been refused reinstatement or found impaired otherwise than through rejection.

The form of question in the "declarations made to medical examiner" reads as follows: "Have you ever made an application for life insurance upon which a policy was not issued?" Where the applicant's answer to the above question is "No," and it is subsequently reported by the information bureau that there

is a record of an impairment, the policy is cancelled, the answer being treated by the company as false.

The distinction between "declined" and "impaired" is entirely, and in our opinion, unjustly, ignored by the company. See case of McManus, policy No. 4514.

The following exceptions to the general method are noteworthy:

Willis Palmer, a consulting actuary, policy No. 6731, vehemently protested against the company's action, denied its right to cancel the policy in view of the incontestable provisions contained therein and denied the truth of the statements contained in the report from the information bureau. His protest was successful and the policy was restored.

Edward Sniffen, policy No. 139, is a charter member of the Mutual Company and has one of the early policies. According to Mr. Townsley's testimony Mr. Sniffen is an insurance man and personally known to him. The information bureau reported that the insured was declined on fourteen different occasions, but the company did not write the usual letter cancelling the policy and demanding a surrender. The letter to Mr. Sniffen was exceptionally mild and merely suggested an amicable adjustment, which was, in fact, satisfactorily arranged without resorting to a cancellation of the policy.

The history of the case above quoted and the correspondence relating thereto is herewith annexed and marked Exhibit VI.

Policy Forms

In the early part of 1907 the company issued a policy with a clause providing for a mortuary dividend of 50 per cent. and an annual premium loan of 30 per cent. The insurance department declared the issue of the policy as illegal so far as it provided for a mortuary dividend, and against the provisions of the standard forms. The company abandoned the mortuary dividend feature but retained the loan, which is styled an "equalization loan." A printed slip is attached to the policy giving the amount of the annual premiums, net premiums and annual loan. As the annual loan is a charge against the reserve, it results in decreasing the loan and surrender values and the amount of insurance. It has been a constant source of trouble to the company. The

provisions of the loan are but imperfectly understood by the policyholders and enable unscrupulous agents to make misrepresentations as to the presumable low premium rates charged by the company. The approval of the insurance department for this modification of the standard form was not obtained by the company. Mr. Townsley claims that the approval is not necessary.

The cost of commission being based upon the whole premium, might lead to an evasion of section 97. The policyholder really buys a policy for a decreasing amount and your examiners are of the opinion that the cash paid is the true premium and should be the basis for the payments of the commission. Under the method employed by the company the expenditures for commission run about 50 per cent. higher than could be paid otherwise, and an insufficient amount of cash is left to carry the mortality which must be paid.

A policyholder in Illinois sued the company and its agent for a rescission of the contract on the ground of fraud, alleging false representations in procuring the policy. He obtained judgment and the case is now pending in the appellate court.

Loan and Surrender Values

The company's policies prior to 1907 contained the provision that in the event of lapse for nonpayment of premium, after the policy had been in force for three or more years, the surrender value may be obtained by the insured upon application within six months after date of lapse.

The company enforces strictly the six months' provision of the above clause in all cases. Where there is an indebtedness the policy is foreclosed for the amount of the loan and any equity above the loan is only paid the insured upon demand within six months from the date of lapse.

Compromising Policy Claims

The two following death claims compromised by the company deserve consideration: Orcutt, \$5,000, compromised for \$3,500 and \$500 counsel fee on September 13, 1905. It appears that the company accepted five shares of its own stock at \$40 per share in payment of premium on this policy.

The insured obtained a loan in January, 1908, for \$410, and paid interest in advance to March 12, the next premium date. The next premium was paid on April 13, accepted by the company and credited on policy register. The amount of interest on loan, \$5.13, was not paid on the same date. The company called attention to the oversight and the insured sent a check for the amount on April 23. The company acknowledged the receipt of the check and demanded a health certificate. Later the check was returned to the insured and the policy cancelled on May 1, 1908, although the premium was paid until June 12, 1908. The insured died May 26, 1908, and the company refused to pay the claim. Suit was brought and the claim compromised by paying \$3,500 to the beneficiary and \$500 counsel fees. We are of opinion that the company unjustly reduced the value of the policy and has taken undue advantage. The premium having been paid the policy was in force and the claim should have been paid in full.

Harris, \$3,000, compromised for \$2,000. The insured was rejected by a life company and stated so in his application for insurance to the Union Life. He also declared to the medical examiner that he was ill in the Philippines and lost in weight during his residence there. The company nevertheless insured the applicant and issued its policy for \$3,000. Nearly three years later the insured died of tuberculosis in California. The company refused to pay claim, alleging false statements in the application. An investigation into the death claim brought forth the fact that the insured had been suffering from tuberculosis for two years prior to his death. This would bring the beginning of the disease several months later than the date of the application. Notwithstanding this fact the company addressed the following letter to the beneficiary:

"DEAR MADAM: — We have received proof of claim on policy No. 4103 in this company on the life of your late husband. Investigation of the claim has developed that at the time he made application for this policy your husband was then suffering from tuberculosis and was under the advice and treatment of doctors. These facts were suppressed when the application was made and therefore the company feels that it is under no liability on account of same as the policy was obtained in this way. We have considered the matter fully and we feel that while the company

does not hold any part of the policy it might and no doubt did considerable hardship to you, who had relied upon this policy in the belief that it was properly obtained, and therefore we are disposed to make you a fair allowance in full settlement of the policy and should be pleased to hear from you upon the subject of a compromise."

Your examiners do not find in the records of this case any evidence upon which the company could defend for false representations and therefore believe that the widow's claim in this case was unjustly reduced. On the hearing granted, the representatives of the company produced letters from policyholders expressing appreciation of the prompt and courteous terms of the company in meeting its obligations.

Records of the Mutual Company

At the commencement of the examination there was in the records of the mutual company nothing to show that the board of directors of such company had authorized or approved the execution of the reinsurance contract. It appears, however, that the certificate holders of said company had a meeting, held shortly prior to the execution of the reinsurance contract, and took action which amounted in substance to the consent on the part of the policyholders that the business, policies, contracts and assets of the mutual company be transferred to the stock company and that the officers of the mutual company have full power and authority to make the transfer — the reinsurance contract to be first approved by the board of directors and to provide for the assumption by the stock company of all of the obligations of the mutual company. The mutual company was dissolved on March 3, 1904, by petition to the Supreme Court. The board of directors of the stock company approved such reinsurance contract authorizing its execution. The board of directors of the stock company were the same persons as the board of directors of the mutual company.

Trend of Business During Recent Years

At the time of the legislative investigation of 1905, this company — then known as the Life Association of America — had \$7,048,052 of insurance in force, and a claimed surplus of \$77,267.33. The figures given in its annual statements subse-

quent to that date are as follows, the increased surplus for 1905 being doubtless due to lapses incident to the investigation:

	Insurance in force	Surplus
1905.....	\$4,747,682 00	\$115,303 74
1906.....	3,374,147 00	84,027 72
1907.....	3,034,116 00	56,173 91
1908.....	2,643,389 00	55,371 44

Summary

The history of this company is not one of fine fidelity to policyholders. Without any added benefits flowing to them, the members of the mutual company have borne the burden of building a business, which is now owned by the stockholders of the present company. This result has been accomplished under the guidance of the same men, who, while officers of the old company, organized and now control the new one. These officials, heedless of the strictures on their conduct suggested by the Armstrong report (see comments on the Life Association of America, Report of Legislative Insurance Investigation Committee, Vol. X, pp. 264-274), have continued practices there criticised. They have no scruples in accepting, from year to year, salaries which were and still are out of all proportion to the premium income. They have allowed the payment of unwarranted dividends to stockholders, without, at the same time, as the charter requires, having paid or credited the policyholders the share to which they were entitled. Similarly, they have evaded or violated the amended laws of 1906; as to first year's expenses, by the organization of a speculative subsidiary or branch commercial company on the side, so that, in the joint exploitation of that company and the selling of insurance, the agent could get more in the way of commissions than such laws permit; as to gross expenses, in disbursing more to put new business on the books than section 97 of those laws allows. They have also failed to include in the cost of new business the medical fees on rejected applications. Though knowingly accepting substandard risks, they have, after securing the payment of one or more premiums, arbitrarily cancelled the policies, without returning the full premiums so paid. More, they have not charged the members of the old mutual company the higher rates fixed in the reinsurance contract — this for the reason, as they claim, that thereby such

members were enjoying in another form the dividends to which they were seemingly entitled, but really, it may be suggested, lest such members would awake to the wrong done them when the mutual company became the stock company and lapse their policies. While death claims have, as a rule, been paid promptly, in some instances advantage has been taken of peculiar conditions to force settlements, where a decent regard for contractual obligations would have led to payments in full.

Meanwhile, the company's amount of insurance in force has been steadily decreasing, and its resources slowly but surely consumed by the luckless management under which it labors. In short it seems to be drifting toward the point—if, in fact, it has not already arrived—where, to conserve the interests of policyholder and stockholder alike, its risks must be safely reinsured and its affairs finally liquidated.

Unless some action is taken this company, in our opinion, will soon be hopelessly insolvent.

Respectfully submitted,

NELSON B. HADLEY,
Chief Examiner of Life Insurance Companies.

LEON S. SENIOR,
Assistant Examiner.

HENRY A. WATKINS,
Assistant Examiner.

STATE OF NEW YORK, }
COUNTY OF NEW YORK. } ss.:

Nelson B. Hadley, Leon S. Senior and Henry A. Watkins, being duly sworn, depose and say and each for himself says that the foregoing report, subscribed by them, being an amendment of the report subscribed and sworn to by the said Senior and Watkins on the 31st day of July, 1909, and by the said Hadley on the 3d day of August, 1909, is true to the best of their knowledge and belief.

NELSON B. HADLEY,
LEON S. SENIOR,
HENRY A. WATKINS.

Subscribed and sworn to before me this
11th day of October, 1909.

KATE F. CAHILL,
Notary Public for New York County.

EXHIBIT I

Extract from letter from H. P. Townsley, president, to George W. Halske, 10 Maiden lane, New York city, April 14, 1902:

"Mr. Schoonmaker has requested me to write you giving a statement as to the value of your policy for \$10,000 in this company as soon as the company shall become a stock company, which will be sometime in midsummer of this year. The policy, while issued at a much lower rate than the ordinary life rate of other companies, will when this company shall become a stock company have the same paid-up insurance value as all policies issued in the state of New York on the ordinary life plan as required by the laws of the state of New York on the basis of 3½% reserve.

At the end of 3 years.....	\$920
" 5 "	1,730
" 10 "	3,600
" 15 "	5,040
" 20 "	6,230

and so on through the life of the policy."

Extract from letter from H. P. Townsley, president, to Louis Rodney Burke, 35 Nassau street, New York, April 15, 1902:

"This is to certify that the undersigned, the president of the Life Association of America, guarantees personally to pay all assessments on premiums calls levied under your policy No. 998 for \$10,000 on your life that may be levied in addition to the premiums mentioned in the first clause of the terms and conditions of your policy. I further guarantee that if this company shall not be reorganized as a stock company by August 23, 1903, that the total premiums paid by you shall be returned to you."

Extract from letter from H. P. Townsley, president, to George Christopher Helfeld, 516 Broadway, New York city, January 15, 1903:

"Our Mr. Thomas K. Russell has informed me that you have criticised what is commonly known as the assessment clause in your policy. I beg to say that no company with a premium rate such as we have in our policy could under any circumstances be required to levy an extra premium within the period set by us to transfer its business into a stock company. The law requires us to insert that clause in the policy in a mutual company and when this company shall be changed to a stock company then the law requires that it shall be eliminated from the policy. However, I have never hesitated when requested to guarantee personally to pay all calls above the regular premium on policies in the company that may at any time be levied thereon, and I make the same guarantee to you on your policies Nos. 2043 and 2044. Should this company at any time levy an extra premium I will consider the obligation mine and will pay it."

"January 15, 1903.

"In consideration of one dollar to me in hand paid by George Christopher Helfeld, the holder of policy No. 2043 in the Life Association of America, and

other valuable considerations, the receipt of which is hereby acknowledged, I agree that the Life Association of America, a mutual company, shall be within six months from this date incorporated into a stock company and this policy No. 2043 shall be taken over by the stock company and the liability for assessments under clause four be abrogated and the said policy shall be considered as an ordinary life policy in accordance with section 84 of article II of the insurance law of this state.

"Witness my hand and seal this 15th day of January, 1903.

"(Signed) H. P. Townsley (L. S.)"

Extract from letter from H. P. Townsley, president, to A. Pagenstecher, Jr., Times building, City, January 28, 1903:

"In response to your telephone message to-day objecting to the assessment clause in your policy No. 870 in this association, I beg to say that no company with a premium rate such as we have in our policies could under any circumstances be required to levy an extra premium within the period set by us to transfer its business into a stock company. The law requires us to insert that clause in the policy in a mutual company and when this company shall be changed to a stock company then the law requires that it shall be eliminated from the policy. However, I have never hesitated when requested to guarantee personally to pay all calls above the regular premium on policies in this company that may at any time be levied thereon and I make the same guarantee to you on your policy No. 870. Should this company at any time levy an extra premium I will consider the obligation mine and will pay it."

Extract from letter from H. P. Townsley, president, to Edwin G. Woodling, 45 Wall street, New York city, January 29, 1903:

"Our Mr. H. L. Walker has informed me that you have criticised what is commonly known as the assessment clause in your policy. I beg to say that no company with a premium rate such as we have in our policy could under any circumstances be required to levy an extra premium within the period set by us to transfer its business into a stock company. The law requires us to insert that clause in the policy in a mutual company and when this company shall be changed to a stock company then the law requires that it shall be eliminated from the policy. However, I have never hesitated when requested to guarantee personally to pay all calls above the regular premium on the policy in this company that may at any time be levied thereon, and I make the same guarantee to you on your policy No. 1632. Should this company at any time levy an extra premium I will consider the obligation mine and will pay it."

Extract from letter from H. P. Townsley, President, to W. E. Tunison, Box 197, New York city, July 8, 1907:

"I have your letter of the 29th ult. together with Mr. Seymour's letter which I return herewith as per your request. In writing your policy in the mutual company it was necessary to insert there the clause providing for additional assessments inasmuch as the company at that time was operating on the assessment plan. In taking over the business of this company it was

necessary to waive that clause and in order to avoid the necessity of carrying a very large amount of reserve on account of the deficiency of the premium that business was all taken over on what was known as the yearly renewable term plan. Under such a plan there could be no cash or loan values or even paid-up insurance value for the reason that sufficient premium was not paid thereon to produce a surplus above mortality to enable the company to guarantee cash, loan, or paid-up values. At your age the lowest premium rate of any policy with annual dividends, loan values, and paid-up insurance values, in fact, a policy carrying a full reserve, would be \$410 per year, whereas the premium on your policy has been \$297.50. In other words, the difference between \$410 and \$297.50 constitutes the values which would otherwise be available under your policy; or, in other words, you have the values in your pocket retained in the payment of your premium.

"While this policy technically provides for an increase in premium the policies are treated by us as regular life policies and our premium will remain the same as if you had a full life nonparticipating policy although the policy is not written as such and could not be written as such without the provision of a very large sum of money in the reserve as an annuity charge against the deficiency of premium thereon."

Extract from letter from George A. Brettell, Chief Clerk, to Dr. J. Noah H. Slee, 42 Broadway, New York city, March 4, 1908:

"We have your letter of March 13 in reference to your policy No. 688. The policy referred to was issued on what is known as the yearly renewable term form and is continued in force each year on the payment of the annual premium as stipulated in the policy. In referring to the table of yearly renewable rates attached to your policy you will find that there is an excess of saving of premium accumulated by the company over each annual premium paid and credited to the policy. This saving you will see diminishes each year until about the age 50, when the premium stated in the printed table to continue the policy in force gradually increases in excess of the premiums you are now paying although you continue paying the regular annual premium as called for in the policy, and this deficiency increases at a greater ratio than the amount accumulated to the credit of the policy in its early years and which has no value to be adjusted in payment of the deficiency in the future premiums of the policy. Your policy was issued on December 7, 1901, and the premium was paid to continue the policy up to March 30, 1902, and from then on an annual premium has been paid, thus continuing the due date as March 20 each year. Trusting the above explains to you the extending of your policy I beg to remain,"

Extract from letter from George A. Brettell, Chief Clerk, to Fred E. Wallace, 203 Broadway, New York city, June 3, 1908:

"In acknowledgment of your letter of May 29 we advise you that the policy you hold in this company has no paid-up surrender value on account of the very low rate of premium you are now paying. Your policy is classed as a yearly renewable term and contains a level annual premium of \$233 due

June 18 of each year. The rates on a regular renewable term policy increase each year as the insurance grows older but this in no way affects the premium you are now paying under your present policy. In other words, the savings made in the early years under your policy being the difference between the regular premium rate on this plan of insurance and the rate you are now paying are accumulating so as to offset the deficiency in the payments in the older years when the premium as stipulated in your policy amounting to \$233, which you will be paying, will not carry the risk, so that in order to continue the insurance on our books at the increased rate this adjustment is necessary. In comparing the rates which you are now paying for your insurance, which was issued at age 40 for \$10,000, with the rates of any ordinary life nonparticipating policy at age 40 for \$10,000, you will find there is a difference of \$37.50, which, taken into consideration, you will see that you already hold the return value under your policy which you would receive under the ordinary life form if making the surrender of your policy. In fact, the excess of savings on your part at the present time on your insurance greatly exceeds the return value on the ordinary life plan. The company is in the best of condition as you will see by the inclosed financial statement and since the insurance investigation of two years ago, which somewhat demoralized all life insurance companies, especially those operating in New York city, we have shown continued progress.

"Trusting this will explain to you the extending of your insurance in the company and that you will continue the same on our books, we beg to remain,"

Extract from letter from H. P. Townsley, President, to J. D. McGuire, 115 Broadway, New York city, July 2, 1909:

"Acknowledging receipt of your favor of the 30th ult., I beg to say that your policy is what is usually termed a yearly renewable term policy for \$10,000 with an annual premium of \$170. Such policies do not contemplate carrying a reserve like the ordinary life, limited payment, or endowment policies, and therefore have no paid-up, cash, or surrender values. However, under the terms of your agreement with this company whereby the excess of your premium is used to offset any advance in rate there is no doubt that your premium is sufficiently high to carry your policy permanently without any advance in rate."

EXHIBIT II

The Life Association of America Class A

Membership Agreement

Forming part of Policy No. . . .

WHEREAS, is one of five hundred members of THE LIFE ASSOCIATION OF AMERICA, forming Class A, and the holder of a policy of \$., and has agreed to pay the pre-

miums called for by his policy of assurance No., and to give the company the use of his name on advertising matter of the company, the benefit of his influence, good will and assistance in the procurement of business, and to give the company annually upon its request the names of twenty insurable residents of his county; and

WHEREAS, It has been agreed that in consideration of such action on the part of the members of Class A, alive and in good standing as policyholders at the end of ten years from date, there shall be distributed among them a commission of one per centum upon the business of the company, which one per centum shall be calculated upon the premium income of insurance in force in the State of New York on the 31st day of December of each year, reserved annually, and placed to a special fund to be known as "Class A Membership Commission Fund."

Now, THEREFORE, This agreement witnesseth that in consideration of the premises said shall be entitled to his pro rata distribution of such "Class A Membership Commission Fund."

PROVIDED, That on the day of, 1911, he shall be a policyholder in the The Life Association of America, in good standing, and shall have complied with all the rules and regulations of the company; shall have given it the use of his name on advertising matter of the company; the benefit of his influence, good will and assistance in the procurement of business, and shall have given it annually, upon request, the names of twenty insurable residents of his county. In default of any of which provisions the company may cancel this contract, and said member shall lose and forfeit all rights hereunder.

Dated, New York,, 1901.

THE LIFE ASSOCIATION OF AMERICA,

.,
President.

Attest:, *Secretary*.

Extract from letter from H. P. Townsley, President, to Charles J. Obermayer, Brooklyn, N. Y., February 10, 1909:

"Acknowledging your favor of the 9th instant I beg to say that the Class 'A' fund which you speak of when set aside to be distributed among the members surviving if their policies are in force at the end of ten years will consist of 1 per cent. of the premiums collected in the state of New York for ten years. This will be equally apportioned among the surviving members at that time. The number now in the class is 74, insuring \$330,000 of insurance.

"Your question No. 1 asks if this special contract holds in the reorganization. It does. I assume that you refer to the recent change of name to

the Union Life Insurance Company, and I beg to advise you that that was not a reorganization, but simply a change of name.

"Question No. 2. This fund is simply like a deferred dividend and will not be paid until the expiration of the time, when 1 per cent. of the premiums will be taken in accordance with the contract.

"Question No. 4. There is no lien against your policy.

"Question No. 5. For how long a period does the rate which I am now paying hold? You were insured in a mutual company and in the taking over to the stock company the Life Association of America in 1903, an agreement was entered into between the two companies a copy of which was sent to you at the time and you no doubt have it now with your policy and by referring to that you will be able to tell the rate of your premium at your advanced age, just what your premium will continue to be from year to year."

EXHIBIT III

Schedule Q

Loadings upon first years' premiums.....		\$2,136 79
Mortality gains (by select and ultimate method).....		5,202 94
		<hr/>
Total margins		\$7,339 73
		<hr/>
Commissions on first years' premiums.....	\$5,602 99	
Commuted renewals paid on receipt of first pre- miums	1,145 28	
	<hr/>	
	\$6,748 27	
Medical examinations and inspections.....	2,361 50	
Advances to agents.....	493 78	
Amounts paid agents based on business written and charged to rent account.....	466 67	
	<hr/>	
Total expenses		\$10,070 22
		<hr/>
Excess of expenses over margins.....		\$2,730 49
		<hr/>

EXHIBIT IV

Extract from letter from President H. P. Townsley to Dr. R. A. Neale, Chicago, June 22, 1908:

"I note that you say if we would pay a higher commission you could secure agents. I have no doubt of that fact but unfortunately there is a law in this state which prohibits New York State companies from paying any higher commissions than those we already pay; and while I think it is a very

foolish law and very much against the interest of New York companies it is nevertheless the law and must be obeyed.

"I am sending you under separate cover circulars of rates and sample bonds which will to a large degree explain themselves. As you will see by the directors of this new company, this corporation is organized by the two life insurance companies which we represent and this contract is devised in order that we may pay on policies of this class a higher commission than a life insurance company is permitted to pay; and second to give to the insured a very much better form of investment and a much more profitable contract than any life insurance company can possibly give.

"Real estate in New York City and suburbs properly purchased can be made to earn about 10 per cent. on the investment and in addition to this there is the increase in the value of the property which will be at least equal to 5 per cent. per year through a period of twenty years. Taking this 15 per cent. which a company can earn on its investment and measuring it against the ordinary 4 per cent. investment of a life insurance company and you have the comparative difference in the two propositions.

"I hand you herewith copies of the contract in blank which we are making with our general agents and which if they produce business will pay them a very handsome commission. In fact if you and your agents together can secure as much as \$35,000.00 of these bonds in a month the commission will be 70 per cent. and for an endowment contract you must admit that this is a very high commission."

Extract from letter from President H. P. Townsley to Dr. R. A. Neale, Chicago June 29, 1908:

"I hand you herewith in duplicate agents' contract for Illinois. I believe this form of contract to be much better than the commission renewal contract, but we are not averse to changing the terms of your commission to 60 per cent. commission and 7½ per cent. renewals for nine years and omitting the bonus clauses of the contract. On the renewal contract we can make you an advance against renewals of 15 per cent. Of course this advance would be charged against your future renewals and will bear interest at the rate of 6 per cent. per annum. If you will look over the contract and indicate which you prefer, we shall be glad to meet your desires."

Extract from letter from President H. P. Townsley to Mr. A. Kann, Pittsburgh, July 12, 1908:

"I note your suggestion in regard to the commutation of renewals and regret that the law prohibits us from making such a contract. The provision of the law is that we may commute renewals and pay them in three payments of not more than two-fifths in any one payment. I suggest, however, in lieu of this, that you write all endowment policies in the Union Mutual Real Estate Company, which has been organized by this company for that purpose, and then your commissions will be paid you in accordance with the printed contract which I furnished you some time ago of that corporation. This enables you to get a very much larger commission for business and pays you even more than you asked for in the life insurance company and the contract which you get will be guaranteed by two corpora-

tions instead of one. The Union Mutual Real Estate Company being in effect a branch of the Union Life Insurance Company, I call your attention especially to the advantage of selling your endowments in this form of bonds for several reasons: First, you get a higher commission than a life insurance pays, indeed a higher commission than any life insurance can pay. Second, the rate for these bonds is a trifle lower than the participating rates of life insurance companies. Third, the real estate company is investing its assets in property that will earn two or three times as much for the bondholder as a life insurance company can earn by reason of the limitations under the laws of their investments. These profits are calculated on that period to mature the bond in from 12 to 15 years, but if the bondholder chooses he can allow his profits to accumulate to the end of the endowment period and we believe that the 20-year bond will earn profits equal to the face of the bond. In other words, a \$5,000 bond will entitle the holder at the expiration of 20 years to the face of his bond plus the profits, estimated at \$5,000 additional. No life insurance company has ever been able to earn such profits for its bondholders. In the meantime it is a life insurance policy for the face of the bond, and matures upon death like any other life insurance policy."

Extract from letter from H. P. Townsley, Vice-President, to J. D. Miller, Erie, Pa., August 17, 1908:

"This company is organized by the officers of two life insurance companies, the Union Life Insurance Company and the Bankers Life Insurance Company. You will see by the names on the inclosed circular who the officers and directors are. The company has a capital of \$100,000 — \$50,000 of which is paid-up and \$50,000 of the preferred stock remains in the treasury. If you desire to take hold for us in Erie, we will allow you a commission of 60 per cent. on first year's premiums and 7½ per cent. for renewals for nine years. I hand you herewith a sample bond of the company and will forward to you upon your acceptance of this proposition blank applications for use, also contracts for your signature.

"Trusting you may be pleased with the business and unite with us in making this a very great company, and assuring you of the absolute security of the company in its officers of two life insurance companies, I am," etc.

Extract from letter from President H. P. Townsley to H. O. Shunk, Kansas City, Mo., September 16, 1908:

"I beg to acknowledge receipt of your favor of the 9th inst., and hand you herewith table of rates of this company. As you will no doubt discover from the rates this company is a nonparticipating company and under the laws of this state passed two years ago, we can only write one kind of insurance, either participating or nonparticipating, and this company has elected to write the nonparticipating kind. Our commissions to agents are limited by the laws of this state, to the amount specified in the table furnished you herewith. I can realize that these rates are hardly attractive to you as an insurance proposition, especially as there are many companies doing business outside of the state of New York which can offer you a much better rate of commission. This is the unfortunate position in which the New York life insurance companies are placed by reason of the New York statute. However,

to overcome some of the difficulties of that law, the officers of this company in connection with the officers of the Bankers Life Insurance Company of this city have organized a real estate company for the purpose of selling bonds, the proceeds of which may be invested in New York city and suburban real estate and the insurance carried on term rates in these two companies. I hand you herewith a booklet, table of rates and blank applications, all of which will explain very accurately the conditions of the bonds which we issue. Upon this proposition, coupled with life insurance, we can allow you a commission on what is practically a 20-year endowment policy of 60 per cent. of the first year's premiums and 7½ per cent. renewals for nine years, making a ten-year contract. In addition to this we can allow you to retain as a charge against your general renewal account, the amount of two renewals on the basis of the first annual premium."

Extract from letter from President H. P. Townsley to User Marcus, New York city, September 21, 1908:

"Concerning the conversation which we had in reference to a new contract with this company, I beg to submit the following: We will allow you in future, beginning with October 1, the commissions specified in your present contract and will commute your renewals on the basis therein specified. This will be the entire compensation for your services in securing new business. For rent, clerk hire, advertising, printing, etc., except such printing as may be furnished by this office direct, we will allow you to retain all of the balance of the first year's premiums. In other words, we will limit our liability for such expenses to the balance of the first year premiums after the deductions heretofore specified. The rent of the office will be paid up to the expiration of the lease, October 15, all other expenses including your salary, to be discontinued on October 1, or more accurately, September 30th."

Copy of letter to User Marcus.

"September 25, 1908.

"MR. USER MARCUS, 21 Delancey Street, New York:

"DEAR SIR.—I herewith hand you in duplicate an agreement amendatory of your contract with the Life Association of America, dated March 28, 1907. I have said nothing in the contract with reference to the assistance which Mr. Van Schaick and myself will give you by way of advances against future renewals. I do not think that is necessary, nor do I think it advisable to make any such contract. As you remember, Mr. Van Schaick was present when we personally agreed with you to furnish you such money as you may need and this letter is about as good evidence of the fact as any contract could be.

"Yours sincerely,

"H. P. TOWNSLEY,

"President."

Extract from letter from H. P. Townsley, President, to G. A. Brenckman, Milnesville, Pa., March 27, 1907:

"Your contract with the Penn Mutual contemplates simply an agency for first and renewal commissions. These commissions are no higher than you

could obtain from any other good company, and the advantages are no greater than obtained in other of a dozen or more good companies. So therefore, if there is any special inducement that some company can offer you of advantage to you and you think that that offer is worth your while you should consider such offer and that is the offer I beg to suggest.

"In the first place this company writes nonparticipating business only. That is to say our premiums are some 15 or 20 per cent. less than the premium rates of the Penn Mutual on ordinary life limited payment or endowment policies. The commissions will be as great in this company as in the Penn Mutual and the renewal commissions will be as high, but the special offer which we make is to make you a partner in the enterprise or give you the privilege of buying at par the stock of this company, when you have been with the company for five years and have demonstrated that you are a success in the business. The stock of this company has sold as high as 300 per cent. of its par value and will doubtless at the expiration of five years be worth much more. Our offer to you to purchase it at par will entitle you to all the profits which would result from the advance in price. We require no payment down on your part. Our object is simply to secure first class representatives for this company, men who will take an interest in the company, men who will devote their time to it, in fact men worthy of being stockholders in the company."

Extract from letter from President H. P. Townsley to A. Kann, Manager, Pittsburgh, Pa., April 11, 1908:

"We beg to submit herewith a table of commissions of the maximum allowed to be paid under the laws of the state of New York. While this is the largest amount of commissions we can pay we have the privilege of commuting the renewals on the basis of 37½ per cent. and pay 15 per cent. of the commutation value with the first year's commissions. The second 15 per cent. can be paid when the second renewal is made and the 7½ per cent. following on the payment of the third renewal premium.

"This company does not furnish its agents with office expenses, but realizing the low commissions that we pay and can pay we will make you an allowance for rent and office expenses on a commission basis, that is, we could allow for office expenses a gross charge of \$2.00 per thousand paid for business. That means business with the full annual premium paid for one year. This would not be a commission or compensation for business, but an allowance to the general agent to provide for rent which he would otherwise be compelled to pay and which liability the company is not willing to assume unless a certain volume of business is produced. I hand you under separate cover literature of the company together with a sample policy which is the standard form authorized to be issued by this state. I also hand you herewith a blank stock option which the president of this company will execute to purchasers of insurance according to its terms."

EXHIBIT V

Extract from letter from H. P. Townsley, president, to C. J. Mootny, Yankton, S. D., September 3, 1907:

"This company has no stock for sale, but some of its officers have placed their stock in the company to be disposed of in the following manner: Upon each \$1,000 of insurance upon which one annual premium has been paid we issue an option giving to the policyholder the privilege of buying one share of stock for each \$1,000 of insurance secured and paid for by him. This option gives to the policyholder the privilege of buying the stock at the expiration of three years from the date of the policy provided the policy is then in force and the fourth premium thereon paid. This is the only way that I know of that the stock can be secured. I hand you herewith a blank application and if you will fill the same out for the amount of insurance you desire, I will advise you as to the medical examination and upon the issuance of a policy will forward you an option for stock."

Extract from letter written by H. P. Townsley, president, to S. B. Barr, St. Louis, April 23, 1907:

"After the subscription of the entire capital stock of this company it was concluded to popularize the plan by offering stock to the policyholders on the plan best calculated to promote the interests of the company. Therefore a certain amount of stock has been placed with the officers of the company who are authorized to distribute the same among policyholders in the ratio of one share of stock for each thousand dollars of insurance. In order to do this properly we have concluded to issue with each policy an option to the holder thereof to purchase at \$50 per share the stock which he is entitled to after the expiration of the third year and after the payment of the fourth annual premium on his policy has been paid. The par value of the stock is \$20 per share. This stock measured by any one of the three companies mentioned in the 'Investment Values' will prove a very profitable investment to the holder thereof, and as these profits are nonparticipating, the profits will be in the ownership of the stock rather than in the insurance."

Extract from letter from H. P. Townsley, president, to S. B. Barr, St. Louis, Mo., May 21, 1907:

"The business of this company is a nonparticipating only. Since under the statute we cannot write both participating and nonparticipating, we have concluded to limit ourselves to nonparticipating business and thereby guarantee all the figures in the policy, leaving nothing to the imagination. We are convinced that under the low rate of interest and the ever increasing expenses of the business, and the additional advantages continually inserted in the policy creating obligations by the company that the dividends upon the participating plan will be continually diminished. This has been the history of life insurance during the last 20 years and I call attention to the leaflet enclosed entitled 'Guaranteed policies' whereby the Mutual Benefit has been selected as capable of decreasing dividends over 45 per cent. in

20 years. This is true to a much greater extent of other companies which have been less careful in their expense of management. We believe, therefore, that the best policy which a man can buy, everything considered, is a nonparticipating policy with a low premium rate which guarantees to him his dividend in advance and which also compels the company to become economical in its expenses. In order, however, that the policyholder may have the benefit of such profits that the company may make we offer to him the privilege of becoming a stockholder in this company after he has been a policyholder for three years, when we will allow him to purchase one share of the company's stock for each \$1,000 of insurance carried at a rate of \$50 per share. The illustration of investment values sent you, will show you how profitable life insurance stock of other companies has been, and we have no doubt the stock of this company will in time rival the value of other companies' stock. With our low rates and the large surplus that this company holds which is a guaranty of security and with the privilege of becoming a part-owner in the company, and the purchasing of a part of the capital stock after it is perhaps worth two or three times the purchase price, is not generally offered in one contract to the assured."

Extract from letter from H. P. Townsley, president to T. F. Lyons, Troy, N. Y., November 9, 1907.

"We are issuing stock options now in the ratio of one share of stock to each \$1,000 of insurance. These stock options cost \$1.00 per share and the stock may be purchased at the expiration of three years from the date of the policy, if the fourth annual premium has been paid, at \$60.00 per share. To facilitate you in the matter, I have enclosed herewith sample stock option filled out so that you will fully understand the situation."

Extract from letter from H. P. Townsley, president, to Dr. A. B. Schmeder, Mt. Carmel, Pa., November 11, 1907.

"You mention the fact that you failed to get an option on your stock. At the time you took this policy, the option on the stock was \$40 per share; since then we have raised the price on these options to \$60 per share and now no options are issued except at that price. However, as you had the right on that date on the payment of \$5 to obtain an option on five shares of stock at \$40 per share, I feel inclined to treat you exactly the same as other policyholders at that time were treated, and if you will send us your check for that amount together with the premium due on the 16th of this month, we will send you a stock option for 5 shares at \$40.00 per share, the price at the time the policy was taken out."

Extract of letter from H. P. Townsley, president, to Morris D. Godfrey, Chicago, Ill., November 18, 1907.

"We take pleasure in handing you herewith certificate No. 264, stock option contract, for four shares of stock of the Life Association of America, issued against policy No. 5443. In perusing the terms of your contract you will readily recognize its value because the four premiums necessary to be paid before the stock can be purchased, will in itself add greatly to the value of the stock, and also insure a permanent income, and the large business which will be the result of the offering of these options of stock."

Extract from letter from H. P. Townsley, president, to Ernest H. Greenwood, Philadelphia, January 2, 1907.

"I have your favor of the 31st asking us for particulars in reference to our offers, options on stock of this company. The stock of this company has long since been subscribed and paid for, and such offers and options to policyholders taking insurance are made by an officer of the company from his own personal stock and for the purpose of swelling premiums of the insurance of the company. They are offering options to-day on the above basis, one share of stock for each \$1,000 of insurance paid for, provided the policy is maintained for three years, and provided further that the fourth annual premium be paid on the policy when the purchaser may have the right to avail himself of the privileges of the option and purchase the stock at \$60 per share. The par value of the stock is \$20 per share. The number of shares the company has is 10,000, total amount of capital being \$200,000. If you desire to take insurance and obtain the above option, be kind enough to fill out the enclosed application and the amount of insurance you desire, and we will have our medical examiner call upon you and complete the transaction."

Extract from letter from H. P. Townsley, president, to Chas. M. Ryder, January 7, 1907.

"It was our intention to discontinue the selling of options on stock to policyholders after the first of the year, but no doubt you have some clients who have contemplated the taking of insurance with a view of securing stock and might possibly be disappointed if they be deprived of the privilege. We have therefore considered the matter fully, and have concluded to sell the options to policyholders as heretofore except that the price of the stock will be \$60 per share instead of \$50 as prior to the first of the year. This will take effect January 1, 1907."

Extract from letter from I. M. Davis, Allegheny, Pa., April 17, 1909, to H. P. Townsley, president.

"Your certificate No. 18 for one share of stock received, and notice that it is marked \$20 a share. Now I wish to say when I first became a policyholder my agreement was with your agent to get one share of stock at par which he told me was \$50 a share. I don't understand why I should pay \$50 when it is only marked \$20. I will hold the payment of same until it is corrected. Now I only ask what is right and I would like to get it.

"Hoping to receive corrected reply."

Extract from letter from President H. P. Townsley to I. M. Davis, Allegheny, Pa., April 19, 1909.

"Mr. Vincent, the treasurer, has handed me your letter of the 17th inst., in which you say that you understood the par value of the stock of this company was \$50 per share and that you were buying it at par. It is unfortunate that you have had any misstatements made to you about the stock, but I beg to advise you that the par value of the stock is \$20 and the company has 10,000 shares of stock of that par value, making a total capital of \$200,000. We have no desire to impose our stock on anyone who does not desire to own it, and if you will be kind enough to return the certificate

which we have sent you, we shall be glad to return your \$50. At the time of obtaining your option for this stock, you had the privilege of buying or not as you chose, at the expiration of three years and we are disposed to still give you that privilege and allow you to exercise your judgment upon such.

"Awaiting your pleasure, we are."

EXHIBIT VI

Extract from letter from A. Kann, dated June 11, 1908, to H. P. Townsley, president.

"I was surprised to get a letter to-day dated the 10th inst., and signed by the chief clerk requesting me to recall policy No. 5818, Leidamon, for the reason that this man has been rejected over five years ago. This policy in question has been delivered and settled for on the 6th inst. It seems very strange to recall this particular policy, which is for additional insurance, as he has policy No. 5310 issued on the 22d of May, and when I submitted settlement for that policy I suggested that you may issue an additional one which the agent would try to deliver. Now after you approve that suggestion and issue the policy and the agent has used his influence to deliver the same and the agent has settled for same, deducting of course his commission, you wake up at the eleventh hour and ask me to undo things which were done by your own consent, since the fault of the man lies over five years back. You should have known that before issuing this policy or even the first one for that matter."

Policy No. 5110 — Eugene Lee.

Issued January 10, 1907; 20 year endowment, nonparticipating; age 35; insured paid premiums for 1907 and for 1908.

Amount insurance, \$3,000; annual premium, \$133.86.

In the declaration made to the medical examiner question No. 14b, "Have you ever made an application for life insurance upon which a policy was not issued, or if issued on a different plan than the one applied for?" Answer, "Yes."

On April 16, 1908, Hooper-Holmes Information Bureau reports to company that insured was reported by one or more of the old line life companies as impaired on the following dates: May 15, 1891, March 17, 1903, May 7, 1903, August 19, 1904, May 9, 1905, and September 21, 1905.

On August 13, 1908, company wrote following letter:

"NEW YORK, August 13, 1908.

"MR. EUGENE LEE, 10 White Street, New York City:

"DEAR SIR.—On or about the 10th day of January, 1907, you made application to the Life Association of America for a policy of \$3,000. In this application you stated and warranted in writing that you had never made applications for life insurance upon which policies were not issued other than the one stated at the time, and the policy thereafter issued to you was given upon the strength of the warranties and representations which we find to be false. We find that prior to making these warranties in writing

you were rejected several times by other insurance companies for various reasons and had we known of this you would not have been insured in this Company.

"We demand that you return the policy issued to you by this Company forthwith and we hereby offer to return to you the premiums received therefor less the expense incurred by this Company in placing the policy.

"Yours truly,

"Chief Clerk."

The report of the medical examiner gives the following information:

"Sometime five years ago applicant states insurance company rejected him on account of heart. For 18 years he has had present position as clerk in wholesale handkerchief house. Had bowled in his club and enjoyed good health constantly except a cold or so. I consider him perfectly good for any short endowment form. He is a married man; lives a quiet life at Woodcliff, N. J."

August 31, 1908, attorney for insured writes company as follows:

"We have examined this matter carefully and find that Mr. Lee disclosed to your agent fully that he had been rejected by other life insurance companies and refused to deal with your agent on the ground, as he said, that he thought it would be useless. Thereupon your agent stated that it would do no harm to have him examined and your physician then examined him and passed him. It seems rather peculiar that you should now endeavor to avail yourself of this alleged cause for cancellation when almost two years have elapsed since the issuance of the policy. And when it can be assumed as a moral certainty that you made investigations immediately upon receiving his application as to whether or not he had been rejected by other companies. This is the usual course pursued by every careful insurance company."

June 25, 1909, insured writes company:

"I wish you would kindly let me know by return mail how much of my premium you intend to pay me back, policy No. 5110."

Under date June 26, 1909, company replied:

"Replying to your letter of the 25th inst. in reference to policy No. 5110, I beg to advise you that we will return to you \$167.03 upon return of the policy to this office.

"Yours sincerely,

"Actuary."

Computation was made up as follows:

Premium paid	\$267 72
Deduct:	
Commissions	\$50 19
Inspection and examination	9 00
Cost of insurance	41 50
	<hr/>
	100 69
	<hr/>
To be returned to insured	\$167 03
	<hr/>

January 6, 1909, letter from attorney states "Mr. Lee to-day made a tender of premium coming due this month on his policy, and said tender was refused by you."

Policy Nos. 5881, 5882 and 5883 — Charles W. Balch.

Issued July 30, 1908; premiums paid on September 2, 1908, of \$30.83 cash on each of the above policies with lien \$13.21 against each of these policies.

Medical examination. Question 14b. "Have you ever made an application for life insurance upon which a policy was not issued, or if issued on a different plan than the one applied for?"

A. "Yes."

Question 14c. "If so state when and in what company?" A. "Equitable and Mutual Life, 10 or 12 years ago.

"Postponed prior to acceptance by Mutual Life, 10 or 12 years ago."

On September 21, 1908, Hooper-Holmes Information Bureau writes company that above named party was declined by Equitable in 1889, by Mutual Life in 1893, New York Life 1893, Mutual Life 1896, and reported as impaired December 13, 1904.

Following is a copy of letter from company to insured:

"NEW YORK, September 23, 1908."

"MR. CHARLES W. BALCH, 53 Cranberry Street, Brooklyn, N. Y.:

"DEAR SIR.—On the 29th day of July, 1908, you made application to this Company for three policies of \$1,000 each. In this application you stated and warranted in writing that you had never made application for life insurance within the past ten or twelve years upon which a policy was not issued and the policies thereafter issued to you were given upon the strength of the warranties and representations which we now find to be false. We find that shortly prior to making these warranties in writing that you were rejected by another insurance company for various reasons and had we known of this you would not have been insured in this company.

"We demand that you return the policies which have been issued to you by this Company forthwith and we hereby offer to return to you the premiums received therefor less the expenses incurred by this Company in placing the policies.

"Yours truly,

"Chief Clerk."

These policies were cancelled by the company October 12, 1908. Subsequently the company issued three policies, Nos. 5962-63-64, in connection with the bonds of the Union Mutual Real Estate Co. Numbers of bonds, 34, 35 and 36. Company collected in premiums on account of these policies \$16.50 on March 10, 1909.

Policy No. 4338. Paul Geil.

Issued August 16, 1905. Premiums paid in 1905, \$60.80; in 1906, \$54.80; in 1907, \$54.80.

Policy contains following clause as to incontestability:

"This policy shall be indisputable after one year from day of issue for the amount due provided premiums have been duly paid."

On April 6, 1908, the Hooper-Holmes Information Bureau reports that applicant was found impaired by one or more of the old line life companies July 14, 1905, August 18, and September 14, 1905. On April 9, 1908, company writes following letter:

"PAUL GEIL, ESQ., 567 Columbus Ave., New York City.

"DEAR SIR:—On or about the 15th day of August, 1905, you made application to the Life Association of America for a policy of \$2,000. In this application you stated and warranted in writing among other things that you had never made application for life insurance upon which a policy was not issued. You also made other misrepresentations which you warranted to be true. This policy was issued to you upon the strength of these warranties and representations. We now find that prior to your making application for insurance with us you had been rejected by another insurance company. Had we known this you would not have been insured in this Company.

"We therefore demand that you return the policy issued to you forthwith, and we hereby offer to return to you the premiums received therefor less the expenses incurred by this company in placing the policy.

"Very truly yours,
"General Counsel."

Policy No. 5685 — Fannie Martine.

Issued February 19, 1908.

Premiums paid 1908 and 1909.

Age in application given as 55.

Medical examiner makes following statement:

"This applicant claims to be from 5 to 10 years younger than she looks. If an American woman would call her 70. On all other accounts a good risk."

Approved by medical director for 15-year endowment only; policy issued accordingly.

Inspection report of the Hooper-Holmes Information Bureau, dated February 19, 1908, recites as follows:

"This party appears to be older than age stated. Looks to be about 65 years of age. Appears to be in good health. Is of good moral character. Runs a grocery and think she is a fair risk."

On March 29, 1909, company received following letter dated Pittsburgh, March 26, 1909:

"To the Life Association of America.

GENTLEMEN:—Kindly let me know the reason why they refuse to take my mother's insurance. She is only 60 years of age. Again another woman, Mrs. F. Martine, 1207 Lang avenue, Pittsburgh, and she is over 75 years old. She has a daughter 54 years old, and she is insured for \$3,600.

Respectfully yours,

(Signed) S. H. KLINE, Pittsburgh."

On same date (March 29) company writes following letter to insured.

"*Mrs. FANNIE MARTINE, 2117 Webster avenue, Pittsburgh.*

On or about the 17th day of February, 1908, you made application to this company for policy of \$2,000 and in this application you stated and warranted in writing that you were 55 years of age, and the policy thereafter issued to you was given upon the strength of the warranties and representations which we find to be false. We find that your present age is about 75 and not 55 as stated in the papers we have before us, and had we known of this you would not have been insured in this Company. We demand that you return the policy issued to you by this Company forthwith and we hereby offer to return to you the premium received therefor less the expenses incurred by this company in placing the policy and continuing the same up to the present date."

Policy cancelled March 29, 1909.

Policies Nos. 5986 and 5987 — Juliana Brown.

Age given in application, 57.

Policy issued November 4, 1908, and premiums collected by agent and policies delivered.

On November 8, 1908, company is advised by Hooper-Holmes Information Bureau as follows:

"We are now reliably and confidentially informed that there is no record on file of any rejection or impairment in this case."

Inspection report under date November 27, 1908, gives following information:

"In regard to your inquiry I would state that Mrs. Juliana Brown is 67 years old instead of 57."

Company's letter to agent November 27, 1908, as follows:

"October 11 we sent you policies Nos. 5896 and 87 issued to Juliana Brown, on the ordinary life plan, for \$5,000. Policies were sent to you subject to the approval of an inspection report by medical department. We have the full and complete report on this party, and after careful consideration the medical department has rejected the application. Therefore I must request that you return the above mentioned policies to this office at once as they have been cancelled on our books and the first year's premiums will not be received thereon."

Letter from agent to company, November 28, 1908:

"The above mentioned policies have been delivered, premiums collected immediately after reaching this office. Settlement for same will be included in my monthly report."

Company's letter to insured, dated December 1, 1908:

"On the 31st day of October, 1908, you made application to the Union Life Insurance Company for a policy of \$7,000, and in this application you stated and warranted in writing that you were 57 years old, and the policy

thereafter issued to you was given upon the strength of the warranties and representations which we find to be false. We find that your present age is 67 and not 57, as stated in the papers we have before us, and had we known of this you would not have been insured in this Company. We demand that you return the policy issued to you by this Company forthwith, and we hereby offer to return to you the premium received therefor less the expense incurred by this company in placing the policy."

Letter from insured to company, December 9, 1908:

"GENTLEMEN:—We received your letter a few days ago stating to return my policy and you would return premium less expense. Now, I would like to say to you people that if you or any other person knows my age better than I do and you are not satisfied if you will return the full amount of the premium less no expense I will return the policy immediately. Otherwise I will refuse to deliver the policy."

These policies are marked on register "not taken, February 24, 1909." In pencil notation: "Premiums held in treasurer's office."

Policy No. 4399 — J. R. Wortham.

Issued September 26, 1905; premium paid for 3 years, 1905, 1906 and 1907, and fourth premium tendered September 23, 1908.

Policy contains clause of incontestability as follows:

"This policy shall be indisputable after one year from its date of issue for the amount due provided premiums have been duly paid."

On April 16, 1908, company received following information from the Hooper-Holmes Information Bureau:

"I am reliably informed that a man of this name born in Texas, August 17, 1881, was reported by one or more of the old line life companies as impaired June 27, 1905, August 24, 1905, October 4, 1905."

Company's letter to insured as follows: dated September 28, 1908:

"In your application you stated and warranted in writing that you had never made application for life insurance on which a policy was not issued, and the policy thereafter issued to you was given upon the strength of the warranty and representations which we now find to be false. We find that shortly prior to making this application in writing you were rejected by another insurance company for various reasons, and had we known of this you would not have been insured in this Company. We therefore return to you your check for \$47.90 tendered for payment of premium due September 26 and demand that you return the policy issued to you by this Company forthwith and we hereby offer to you premiums received therefor less expenses incurred by this Company in placing and continuing the policy up to date."

Following is answer from insured to company, dated October 5, 1908:

"Replying to your letter of September 28 will say that every time I took out insurance with your company through your agents I had a policy made out by the New York Life. I have not been examined by any other insurance company prior to my examination for insurance by your company that I am aware of. I had three examinations, one in New York Life, one in your company and one by Penn Mutual. I had a policy issued by New York Life and from the Penn Company I did not hear. Furthermore I did not know that anything which prevents my taking out insurance in your company. I had been examined enough times and was never point blank rejected. You also, I believe, had your own physician do the examining, and it looks as though it was up to you. At the time of his examination I had never been rejected by any insurance company, and what I told you was in good faith."

Letter to insured, October 28, 1908:

"You ask for an itemized statement of the expenses and deductions which we make from the total premium amounting to \$77.32. They are itemized as follows:

Commission to agents.....	\$45 81
Renewal commissions, 2d year.....	3 59
Renewal commissions, 3d year.....	3 59
Medical examination	5 00
Special report	3 00
Insurance cost of risk.....	16 33

Total	<u>\$77 32</u>
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Letter from insured to company, November 2, 1908:

"Enclosed you will find policy. I wish you would remit the balance of the money due me as soon as possible upon receipt of this letter. I do not see yet why I should be called upon to pay \$16 for risk of my life as policy would have been contested by you in event of my death prior to this time and you certainly would have refused payment, but to close this matter I am enclosing policy."

Policy No. 4325 — Harry Levin.

Issued August 28, 1903.

Premiums paid for six years, in 1903-1908, inclusive.

On March 19, 1909, the following information from Hooper-Holmes Information Bureau to company:

"We beg to advise you that we are now reliably and confidentially informed that a man of this name born September 10, 1863, was reported by one of the old line life insurance companies as impaired in July, 1902, August, 1903, May, 1907."

On March 23, 1909, company writes to insured as follows:

"On or about the 28th day of August, 1903, you made application to this Company for a policy of \$1,000. In this application you stated and warranted

in writing that you had never made application for life insurance upon which a policy was not issued and the policy thereafter issued to you was given upon the strength of the warranties and representations which we find to be false. We find that shortly prior to making these warranties in writing you were rejected by another insurance company for various reasons and had we known of this you would not have been insured in this Company.

"We demand that you return the policy issued to you by this Company forthwith and we hereby offer to return to you the premiums received therefor less the expenses incurred by this Company, in placing the policy and continuing the same up to the present date."

Policy contains incontestable clause after one year from date of issue.

Policies 1909 and 3421 — Wm. D. Hickey.

First policy issued October 24, 1902, and premiums paid to October 4, 1908; second policy issued July 16, 1904, and premiums paid to April 16, 1908.

Medical examination, question 14b, "Have you ever made an application for life insurance upon which a policy was not issued?" Answer. "Postponed by New York Life."

April 22, 1908, Hooper-Holmes Information Bureau reports as follows:

"A man of this name, born December 18, 1865, was declined by Equitable Life, June 23, 1890, by New York Life, February 18, 1896, and by various other companies at various dates."

Both policies were surrendered May 2, 1908, for a surrender value of \$350.

Policy No. 3421 contained incontestable clause after one year from its date of issue.

Policy No. 4514 — James McManus.

\$1,000, ordinary life, nonparticipating; age 62.

Issued November 13, 1905. Insured paid four annual premiums from 1905 to 1908, inclusive. Policy contains one-year incontestable clause.

On March 19, 1909, Hooper-Holmes Information Bureau reports insured as having been found impaired, in March, September, October and November, 1905.

On March 23, 1909, company writes insured demanding return of policy and offer to return premiums, less expense incurred.

Policy No. 3761 — Willis Palmer, consulting actuary. Yearly renewable term, issued December, 1904. Premiums paid for 1904, 1905, 1906, 1907 and part of 1908. On May 3, 1909, report from Hooper-Holmes Information Bureau states that in-

sured was declined by Union Central in January, 1895, and also found impaired in July, 1903.

May 4, 1909, company writes insured demanding surrender of policy and offers to return premiums less expense. This policy was cancelled on register May 4, 1909, and restored June 17, 1909.

Extracts from letter written by insured to company:

"If any life insurance company now existent, or at any time has had a corporate existence which refused to issue a policy that I applied for, that fact has not come to my knowledge, and this is the only time that I have ever received such intimation from any source whatsoever that a life insurance company rejected any application which I have made. I wish to state that every time I made application to your company I was sound in health, and have been in sound health for many years, to the best of my knowledge and belief. I wish to state that to-day I am in usual health and have been continuously in usual health since the date of my application, except brief illnesses such as any man may have, during these past five years. I wish to state that now to satisfy your company even though almost the time has expired where the benefit of medical selection has expired, yet I am willing for any physician or any half dozen physicians to make a thorough medical test and examination, and if they can find anything that would warrant you or any other life insurance company in rejecting an application for insurance at the time my application was made, I shall withdraw cheerfully any objections I may have to the actions of your actuary. I call your further attention to the fact that the law of your state and of this state and of the contract itself, which I hold, makes my policy absolutely non-contestable except for nonpayment of premiums after the first year. This is to notify that I will continue to tender my premium, and if rejected I shall have to appeal to such sources as lie within my reach for a proper adjudication."

Hooper-Holmes Information Bureau reported as follows:

September 22, 1908.

"In Re Edward S. Sniffen:

Replying to your recent request that we ascertain for you as to whether the above named party was reported as rejected or impaired by any of the old line life insurance companies, we beg to inform you that we are now reliably informed that a man of this name, born November 14, 1847, was declined by:

John Hancock, March 30, 1880.

Equitable, April 1, 1881.

Provident Savings, February 10, 1883.

New York Life, February 15, 1889.

Equitable, April 16, 1889.

Manhattan, January 5, 1891.

United States, March 26, 1891.

Provident Savings, June 27, 1891.

Provident Life & Trust, April 23, 1892.

United States, November 17, 1892.

Provident Savings, November 19, 1892.

Canada Life, December 4, 1893.

United States, January 25, 1894.

Sun Life of Montreal May 7, 1898; and reported as impaired March 16, 1903; nature of impairment functional cardiac disturbance and casts in urine.

We understand that the occupation referred to in the above records was that of advertising agent and insurance agent and manager."

Extract from President Townsley to Edward D. Sniffen, 1 Madison avenue, New York city, October 6, 1908:

"I am pleased to inform you that after full consideration of the premises in reference to the information we received from our inspector touching your previous rejections by other companies, that the Medical Department has taken the whole matter into consideration, and that there was no material misrepresentation in your application and that your policy is reinstated in full force in the company."

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, August 5, 1909

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with instructions contained in your appointment No. 2202, under date of June 2, 1909, hereto annexed, we have completed an examination of the condition and affairs of the Stuyvesant Insurance Company of New York, and respectfully report thereon as follows:

As shown by report of examiners Fuld and Beckwith under date of January 4, 1909, this company increased its capital from \$200,000.00 to \$400,000.00 by the payment in of additional capital of \$200,000.00 subscribed for at the rate of \$150.00 per share. Such increased capital payment was duly certified to by

the examiners, and this examination is incident thereto and in connection with amendments to the company's charter, proceedings for same being duly taken by the company on or about said date.

This examination was made as of June 30, 1909, on which date the financial condition of the company was found to be as follows:

ASSETS

Loans on bond and mortgage..... \$14,000 00

<i>Bonds and Stocks</i>	Par Value	Market Value
N Y City Corporate Stock:		
Dock 3s 1921.....	\$25,000	\$22,500
Repairing Sts & Aves 3s 1913....	12,500	12,000
Rapid Transit 3s 1950.....	120,000	96,000
Police Dep 3s 1941.....	5,000	4,100
New Grounds College 3½s 1915..	1,000	970
School House 3s 1915.....	3,000	2,910
Rapid Transit 3s 1954.....	20,000	18,000
Assessment 3s 1914.....	5,000	4,900
Add Water Stock 3s 1915.....	30,000	29,100
Corporate 4½s 1957.....	10,000	11,200
Water Supply 4½s 1957.....	10,000	11,200
Atch Top & Santa Fe conv 5s 1917.	30,000	34,800
Chi Rock Island & Pac 4s 2002....	15,000	12,000
Delaware & Hudson conv 4s 1916...	25,000	26,500
Penn R R conv 3½s 1915.....	25,000	24,250
Penn Co 25-yr 4s 1931.....	5,000	4,950
Broadway Surface 5s 1924.....	10,000	10,400
Bklyn Rapid Trans 4s 2002.....	25,000	21,750
Lex Ave & Pavonia Ferry 5s 1993..	15,000	15,150
Am Telp & Telg 4s 1936.....	15,000	15,750
300 B & O R R com.....	30,000	35,400
200 Atch Top & Santa Fe pfd.....	20,000	20,800
200 Chi Mil & St Paul pfd.....	20,000	33,800
200 Chi Mil & St Paul com.....	20,000	30,800
100 Delaware & Hudson Co.....	10,000	19,400
100 Denver & Rio Grande pfd.....	10,000	8,600
200 Erie R R 1st pfd.....	20,000	10,600
300 Great Northern pfd.....	30,000	44,700
100 Hocking Valley R R pfd.....	10,000	9,100
200 Kan City Ft Scott & Mem pfd..	20,000	15,400
100 Louisville & Nashville.....	10,000	14,100
100 Manhattan Ry.....	10,000	14,500
108 Minn St Paul & S S Marie pfd.	10,800	16,200
16 Minn St Paul & S S Marie com.	1,600	2,240
102 Missouri Pacific R R.....	10,200	7,548
500 Northern Pacific.....	50,000	76,000
100 (½ stock) Penn R R.....	5,000	6,850

	Par Value	Market Value	
100 Southern Ry pfd.....	\$10,000	\$7,000	
200 Union Pacific.....	20,000	20,400	
400 Consolidated Gas Co.....	40,000	56,400	
300 People's Gas Light & Coke Co.	30,000	34,500	
150 (¼ stock) Chatham Nat'l Bank	3,750	11,250	
223 Golden Hill Bldg Co.....	22,300	22,300	
1 Louisville Property Co.....	100	65	
100 North American Co.....	10,000	8,200	
	<hr/>	<hr/>	
Total par and market value.....	\$830,250	\$904,583	
	<hr/>	<hr/>	\$904,583 00
Cash in banks and trust companies.....			22,717 71
Cash in office.....			480 90
Interest accrued on bond and mortgage loans....		\$291 66	
On bonds and stocks.....		2,983 73	
		<hr/>	3,275 39
Agents' balances covering business written within three months, less commissions and other charges thereon.....			114,236 81
			<hr/>
Total admitted assets.....			\$1,059,293 81
			<hr/>

LIABILITIES.

Unpaid fire losses less reinsurance thereon.....		\$59,371 15
Unearned premium fund on one year risks.....	\$284,439 00	
Unearned premium fund on term risks.....	45,958 00	
	<hr/>	
Total unearned premium fund.....		330,397 00
Rent due and unpaid.....		333 33
Unpaid legal expenses (estimated).....		1,000 00
Taxes accrued (estimated).....		4,137 00
		<hr/>
Total liabilities except capital and surplus.....		\$395,238 48
Capital	\$400,000 00	
Surplus of assets over liabilities.....	264,055 33	
	<hr/>	664,055 33
		<hr/>
Total liabilities.....		\$1,059,293 81
		<hr/>

The business of this company is conducted under a general agency contract with Mr. Joseph S. Frelinghuysen, a copy of which is filed herewith.

In the quarterly statement of June 30, 1909, filed with the Department, the company charges itself with an unearned premium liability of \$336,354.02. This amount is incorrect, as credit was taken only for \$8,000.00 as commission on reinsurance received from other companies, instead of \$15,000.00, the correct

amount which would have made a charge in such item of \$329,354.02. The difference between this amount and the sum charged in this report, \$330,397.00, is \$1,042.98, which is accounted for by the company having taken credit for commissions on reinsurance premiums written for companies unauthorized to do business in this State.

Following is a list of the officers of the company with their respective salaries or compensation:

A. R. Pierson, President.....	\$2,500 00 per annum
C. A. Garthwaite, Secretary.....	3,500 00 " "
C. F. Hutchings, Ass't Secretary.....	1,200 00 " "

In addition to the above the general agent, Joseph S. Frelinghuysen, under the terms of his contract, receives 25 per cent. commission on all premiums collected by him, out of which he pays all the office expenses at its Yonkers agency together with all salaries of clerks and subordinate assistants of such agency, together with commissions paid agents for procuring the business. The personal compensation of Mr. Frelinghuysen as general agent for any fixed period, would be determined by the amount of premiums collected by him less the expense as stated above.

Very respectfully,

ADRIEN S. MARTIN,
WILBUR H. NANGLE,
Assistant Examiners.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Adrian S. Martin and Wilbur H. Nangle, being duly sworn, do depose and say that the foregoing report subscribed by them is true to the best of their knowledge and belief.

ADRIAN S. MARTIN,
WILBUR H. NANGLE.

Subscribed and sworn to before me
this 5th day of July, 1909.

[SEAL.] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, August 26, 1909

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR: Pursuant to your appointment No. 2160, dated April 9, 1909, and annexed hereto, I have made and completed an examination of the Postal Life Insurance Company of New York city. This company began business in June, 1905, and the method of securing business through advertising and circularizing was adopted, this being the first and only company in this country to rely solely on this method of securing business. No other method was adopted until June 1, 1908, when a reinsurance agreement was entered into with the Mutual Reserve Life Insurance Company receivers. On December 31, 1908, \$2,841,772 of insurance was in force, of which \$917,750 had been secured through advertising and circularizing, and \$1,924,022 through the reinsurance agreement with the receivers of the Mutual Reserve.

The annual statement of December 31, 1908, was checked during the course of this examination.

The income and disbursements for the year 1908 and the assets and liabilities on December 31, 1908, were as follows:

Capital Stock

Amount of capital paid up in cash..... \$100,000 00

Ledger assets December 31, 1907, as per company's records.... \$148,179 50

Income

First year's premiums — Postal..... \$3,170 80

Renewal premium — Postal 26,897 60

Mutual Reserve premium 54,061 67

Total premium income..... \$84,130 07

Interest on bonds 3,500 00

Interest on policy loans and liens..... 7,634 45

Interest on bank deposits.....	\$2,149 96	
Interest bearing reserve liens (Mutual Reserve) ..	188,769 00	
		<hr/>
Total income		\$286,183 48
		<hr/>
Total		\$434,362 98

Disbursements

Death claims	\$1,100 00	
Disability claims	115 00	
		<hr/>
Total paid to members.....	\$1,215 00	
<i>Auxiliary Contract disbursements</i>		
W. R. Malone on life policies.....	\$5,483 22	
W. R. Malone on health policies.....	237 57	
W. R. Malone on Mutual Reserve policies	25,000 00	
Receivers on Mutual Reserve policies..	1,296 29	
		<hr/>
Total paid under auxiliary contract.....	32,017 08	
Taxes	57 00	
Exchange	48 26	
Premiums on guarantee bonds.....	80 74	
		<hr/>
Total disbursements		33,418 08
		<hr/>
Balance, invested as follows:		\$400,944 90
		<hr/> <hr/>

Ledger Assets

Policy loans	\$2,930 80	
Interest bearing reserve liens.....	188,769 00	
Book value of bonds.....	150,250 00	
Deposits in banks not on interest.....	1,113 16	
Deposits in banks and trust companies on interest	52,881 94	
Furniture and fixtures	5,000 00	
		<hr/>
Total ledger assets		\$400,944 90

Non-Ledger Assets

Reserve liens in hands of Mutual Reserve receivers	\$4,036 07	
Cash in hands of Mutual Reserve receivers.....	1,101 07	
Interest accrued on bonds	1,645 83	
Net uncollected and deferred premiums.....	38,679 23	
		<hr/>
Total non-ledger assets		45,462 20
		<hr/>
Gross assets		\$446,407 10

Deduct Assets Not Admitted

Furniture and fixtures	\$5,000 00	
Decrease in bank balances on account of checks returned and exchange not charged.....	31 69	
Liens and net premiums in excess of the net values of their policies.....	10,584 00	
Book value of bonds over market value.....	10,270 00	
		<hr/> \$25,885 69
Total admitted assets		<hr/> <hr/> \$420,521 41

Liabilities

<i>Reserve</i>		
Life policies	\$47,790 00	
Health policies	301 00	
Mutual Reserve	225,895 00	
		<hr/>
Total reserve	\$273,986 00	
Premiums paid in advance.....	4,008 95	
Unearned interest	3,901 52	
Due Malone under Auxiliary Contract.....	23,199 16	
Capital stock	100,000 00	
Unassigned funds (surplus)	15,425 78	
		<hr/>
Total liabilities		<hr/> <hr/> \$420,521 41

Contract With William R. Malone, Known as the Auxiliary Contract

The following is a copy of a contract between the Postal Life Insurance Company and William R. Malone:

AGREEMENT Made in the City of New York, this 29th day of January, 1907, Between POSTAL LIFE INSURANCE COMPANY, a corporation incorporated under the laws of the State of New York, party of the first part (hereinafter called the "Company"), and WILLIAM R. MALONE, party of the second part:

WHEREAS, The Company is authorized to do business under the laws of the State of New York but is possessed at the present time of only a comparatively small working surplus, its entire capital stock being represented by securities deposited in the office of the Superintendent of Insurance at Albany, New York; and

WHEREAS, Malone is willing to assume the burden of continuing the business of the Company during the current calendar

year, to the end that the Company can, so far as may be, avoid the hazard incident thereto;

Now, THEREFORE, it is agreed:

1. Malone agrees to use every endeavor to procure insurance for the Company and to continue actively and diligently in such endeavors during the period of this contract, and to devote his time thereto, and not to have any connection with any other insurance company.

2. Malone agrees to pay on the last day of each month, to the Company, a sum sufficient to defray all the reasonable expenses for one month of the medical, legal, actuarial and treasury departments of the Company, including reasonable compensation for the heads of such departments, and also reasonable compensation for the President, Vice-President, Treasurer and Secretary, and for the Finance Committee for its labor in properly investing and reinvesting the Company's funds, and also all other reasonable expenses necessarily incurred by the Company in carrying on such business and doing such things as may be necessary and contemplated for it to do under the terms of this agreement. But in case Malone disputes the reasonableness of the compensation of any officer or head of a department, or other employee or agent, the same shall be referred to a board of arbitration, one arbitrator to be appointed by the Company and one by Malone, and the two thus appointed to designate a third. The majority of such arbitration board so constituted to control.

3. All other expenses of every nature whatsoever in connection with the plant at No. 425 Fifth Avenue (or wherever the same may be located), in connection with the obtaining of insurance business or otherwise, shall be incurred and paid by Malone only; the Company to incur no obligations whatever, its functions, during the continuance of this agreement, to be confined exclusively to issuing policies of insurance and doing the acts incident thereto.

4. Upon every policy hereafter written hereunder by the Company, or now outstanding, it is to retain out of the premium a percentage thereof equal to the reserve required by law, the balance of premium to which the Company may be entitled is to be turned over, as collected, to Malone as full payment for all his services and all expenses hereunder.

At the expiration of the term of this contract (to wit, December 31st, 1907), Malone shall have no further interest whatever by virtue thereof in any renewal premiums.

It is understood, however, that Malone is in no case to receive any proportion of any first year's premium or renewal premium unless actually received by the Company.

WITNESS the following signatures and seals.

POSTAL LIFE INSURANCE COMPANY, [L. S.]

by W. M. Ridge, Vice-Pres.

WILLIAM R. MALONE. [L. S.]

The herein contract, renewed on December 31st, 1907, for one year from December 29th, 1907, is hereby this day, December 29th, 1908, again renewed and extended to December 30th, 1909.

POSTAL LIFE INSURANCE COMPANY, [L. S.]

by W. H. Mendel, Treas.

WILLIAM R. MALONE. [SEAL.]

From the time this company commenced business it has been managed under a similar arrangement.

A life insurance company starting in business finds for the first few years that its expenses are very heavy and great difficulty is experienced in keeping within the margins allowed by law. Under the arrangement made with Mr. Malone, he became the financial backer of the company, agreeing to pay all expenses and not to obligate the company in any way for indebtedness, in return for which the balance of premiums received over the proportion required by law to maintain the reserve, is to be turned over as collected to Malone.

From the time this company commenced business to July 1, 1908, the practice has been to divide each gross premium as received, the company retaining the net premium and paying to Malone the loading.

There has been no liability carried in the annual statement for the years ending December 31, 1905, 1906 and 1907, respectively, on account of moneys due under the terms of this contract. Mr. Malone stated to me that he had never drawn the full amounts due him but had purposely not carried any liability in the annual statements above mentioned, and that he considered that any amounts due had reverted back to the company on account of his not carrying forward any liability from year to year.

A division of the Mutual Reserve premiums was not made as of the Postal Life premiums. Mr. Malone was paid various sums

earned under the contract from \$500 to \$5,000, and aggregating \$26,296.29 from July 1, 1908, to December 31, 1908, against the Mutual Reserve premiums. In addition to the sums drawn, \$25,600 was carried in the annual statement for the year ending December 31, 1908, as a liability for the amount due under the auxiliary contract, as calculated by Miles M. Dawson, whose formula and letter of explanation is attached hereto as Exhibit "A." Malone stated that that amount carried in the annual statement was the difference between the total loadings and assumed mortality gains, thus calculated, less \$5,000, and what he had received of these provisions.

From the records of the meeting of the executive committee held on July 1, 1908, it appears that Malone asserted his right to the mortality savings of the company in addition to the loadings. Quoting from paragraph 4 of this contract, we find that the company "* * *" is to retain out of the premium a percentage thereof equal to the reserve required by law, the balance of premium * * * to be turned over, as collected, to Malone * * *." It appears from this that he is entitled under the contract to all the proportion of premium contributions over and above the reserve required by law and consequently has a right under the terms of his contract to the salvage on mortality.

The minutes of the meeting of the executive committee held July 1, 1908, read as follows:

"Mr. Malone stated that in addition to what he had drawn this year under the terms of his contract to date there was available an additional \$3,000 which he did not desire to make requisition for unless necessary by reason of the expense attending the transfer of Mutual Reserve policyholders; he read a letter from Actuary Dawson in support of his statement, as follows:

'Dear Mr. Malone: I have examined your gain and loss exhibit for the two years, 1906 and 1907, and upon your advice that all the death losses for the first half of this year amount to \$1,000, I beg to say that I consider that the salvage on mortality in the first half of this year on the basis of no further deaths taking place before July 1st will be about \$3,000.

Yours sincerely,

MILES M. DAWSON.'"

It was then declared by motion made and carried that a sufficient sum be made available up to \$3,000 to meet if necessary

the expenses of transfer of business from the Mutual Reserve Life Insurance Co. to this company."

On August 11, 1908, the company changed from nonparticipating to participating under resolution of its board on June 3, 1908, pursuant to its agreement with the receivers of the Mutual Reserve Life Insurance Company. The loss and gain exhibit shows a gain from mortality for 1908 of \$20,119.67. Probably one-half of this gain was made while this company was issuing participating policies, there having been no deaths of policyholders between August 11 and December 31, 1908. Under the strict terms of Malone's contract, he is entitled to this gain of \$20,119.67 in addition to the loading. He states, however, that when the company went on the participating basis, both himself and the company construed the word "reserve" as used in the fourth paragraph of the contract above quoted, to mean not only policy reserve but any further sum which under section 97 of the Insurance Law could not be expended by the company and, therefore, he states he is only entitled to a proper proportion of this gain of \$20,119.67, based upon such interpretation.

Quoting from section 97 of the Insurance Law we find that

"No such corporation shall make or incur any expense or permit any expense to be made or incurred upon its behalf or under any agreement with it, except actual investment expenses (not exceeding one-fourth of one per centum of the mean invested assets) and also except taxes on real estate and other outlays exclusively in connection with real estate, in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section eighty-four of this chapter, and the present values of the assumed mortality gains hereinbefore mentioned."

"No such corporation" is a domestic life insurance corporation issuing participating policies. The present values of the assumed mortality gains have been included in the amounts paid Malone as part of the loadings on the first year's premiums. The company had no investment expense in 1908, nor does it own any real estate.

This contract was renewed on December 29, 1908, under authority of the board of trustees and extended to December 30,

1909. At the time of this renewal the Postal Life was a stock corporation issuing participating policies and thus prohibited under the provisions of section 97 of the Insurance Law from making such an agreement, *i. e.*, interpreting the word "reserve" according to its ordinary meaning, as the expense made and incurred under its terms is in excess of the aggregate amount of the actual loadings upon premiums received in said year calculated according to the standards adopted by the company under section 84 of the Insurance Law, and the present values of the assumed mortality gains. It is only fair to say, however, that since the company went on the participating basis in August, 1908, the word "reserve" has been taken to mean, as before stated, not only the policy reserves but any other sums that the company was prohibited from spending under section 97, and as a matter of fact Mr. Malone has not drawn under the contract any more than the assumed mortality gains and the loadings.

During 1908 there was paid to Malone \$5,720.79, the actual loadings and assumed mortality gains on the Postal Life premiums, and \$26,296.29 against the Mutual Reserve premiums. The sum of \$25,600, reduced \$2,400.84 by this examination, was carried in the annual statement as the amount due on auxiliary contract. This statement was made upon the basis that the re-insured policies of the Mutual Reserve were original issues of the Postal Life and as such entitled to the assumed mortality gains on the select and ultimate method.

Following the instructions contained in your letter of May 28, 1909, to Mr. Charles S. Fowler, Second Deputy Superintendent of Insurance, and the opinion of the Attorney-General dated July 22, 1909, these policies have been treated as old business and as such not entitled to the present values of the assumed mortality gains.

During the year 1908 \$54,061.67 was paid in for premiums on the Mutual Reserve policies. Premiums paid in advance amounted to \$3,390.06, leaving a balance of \$50,671.61. Of this amount \$38,677.29 was cash premiums of policy year current June 30, 1908, and \$11,994.32 cash premiums on following policy year. In addition the Mutual Reserve held for the credit of the Postal December 31, 1908, the sum of \$1,101.07 in cash and \$4,036.70 of installment premium notes, the same being one-third the annual

premiums under a special class of policies. These two latter items have been included in the non-ledger assets.

There was also paid in 1908 \$159,792 in mean reserve liens at $3\frac{1}{2}$ per cent. interest payable in advance toward meeting the $3\frac{1}{2}$ per cent. single premiums, and \$28,977 mean reserve liens at 4 per cent., interest also payable in advance.

Under the strict terms of his contract, interpreting the word "reserves" according to its ordinary meaning, Malone would be entitled to both the loadings and mortality savings for the year 1908. Under the construction placed upon the contract by the company since August 11, he would only be entitled to the loadings and the select and ultimate margins thereafter. He would also be entitled to the excess interest paid in advance and not necessary to maintain the reserve. In addition he should have the excess of the 4 per cent. liens over the amount of the $3\frac{1}{2}$ per cent. net single premiums, the amount of the 4 per cent. liens being calculated as of July 1st on a 3 per cent. reserve basis, and the excess over the net premiums having been made good from July 1st to December 31st by addition to the policy reserves, and also to the excess of the $3\frac{1}{2}$ per cent. liens of policies bearing dates, 1904-1908 over the S. & U. reserve valuations June 30, 1908, amounting to \$5,177, this excess having also been made good by accumulations of the policy reserves by the close of the year.

By reason of the limitations imposed under section 97 of the Insurance Law, he would only be entitled to the mortality salvage and the excess interest paid in advance up to August 11, 1908.

The total amount due Malone under his contract for the year 1908 is arrived at as follows:

The reserve liens being sufficient on July 1st to maintain the reserve, he should have the premium paid on those policies on which the policy year begins prior to June 30th, less the adjustment deductions on these net premiums. The total amount of these premiums is \$43,815.06, made up as follows: \$38,677.29 paid in cash to the Postal, \$1,101.07 paid in cash to the Mutual Reserve receivers and in their hands December 31, 1908, and \$4,036.70, the amount of installment premium notes in hands of receivers December 31, 1908. From this should be deducted \$12,030, the amount of adjustment of the net premiums paid in

cash between February 15th and July 1st, leaving a balance of \$31,785.06. To this should be added \$3,229, the 3 per cent. excess of the contract reserve over the net $3\frac{1}{2}$ per cent. reserve, and \$5,177, the excess of the $3\frac{1}{2}$ per cent. liens over the S. & U. reserve on policies dated 1904-1908. This makes a total of \$40,191.06 due Malone July 1st, on the Mutual Reserve business. The actual loadings on the business whose policy year begins subsequent to June 30th amounts to \$3,012.38, to which he is entitled. Prorating the excess interest paid in advance and the salvage in mortality, I find that \$6,292.01 is due him from these two sources. By adding the loadings on the regular Postal business of \$5,720.79, we have a total of \$55,216.24. Against this he has drawn \$32,017.08, leaving a balance of \$23,199.16 due him under his contract on December 31, 1908, and this amount has been carried in this statement as a liability of the company.

The loadings on the deferred and uncollected premiums amounted to \$12,449.78, but the company has not paid Malone this amount, as he is not entitled to same until the premiums are collected.

Malone has also drawn \$15,720.09 against the Mutual Reserve business between January 1 and May 31, 1909.

The following amounts have been paid to Malone under the terms of his contract:

1905	\$5,313 74
1906	15,789 08
1907	8,692 93
1908	32,017 08

Under paragraphs 3 and 4 of his contract, Malone agrees to pay all expenses of management of the Postal Life. Each year he has furnished to the Insurance Department at its request a schedule showing the disbursements by him under his contract. The total amount of these disbursements were as follows:

1905	\$16,441 08
1906	26,209 61
1907	16,989 67
1908	57,426 27

The itemized statement for the year 1908 of these disbursements and the explanation accompanying same were as follows:

"The Postal Life Insurance Company has entered into a contract with the 'Underwriters' Auxiliary' by the terms of which the expenses of procuring new policies and renewing the old ones, and all the other usual expenses of an insurance company are borne by the Auxiliary, the margins of the premiums over what is required for the reserve being turned over to the Auxiliary in compensation for its services. It is an expedient to safeguard and strengthen the company during its early years and may be terminated at the pleasure of the Company at the end of any year. The expenditures of the Auxiliary during the year 1908 are stated to be as follows:

"Salaries and all other compensation of officers and Home Office employees, including actuarial and legal counsel		\$24,315 50
Sundry office supplies and miscellaneous expenses.	1,125 60	
Interest on deferred accounts.....	1,854 22	
Loans repaid with interest.....	9,564 10	
Postage	2,610 00	
Office rent	3,400 00	
Printing	3,660 24	
Advertising	5,900 32	
Medical and inspection fees.....	2,050 00	
Commission Mutual Reserve receivers.....	1,296 29	
Traveling and incidental expenses.....	1,650 00	
Total	\$57,426 27 "	

It might be well to state here that the "Underwriters' Auxiliary" is the trade name under which he has conducted his business. The contract referred to is the one we are discussing.

An effort was made by your examiner to check the accuracy of the above statement of expenditures, but by reason of the fact that Mr. Malone did not keep a record of disbursements as to matters pertaining to the Postal Life in distinction from his expenditures on other matters, it was impossible to do more than estimate as carefully as possible the amounts paid by him by reason of his obligations under the contract. As he kept no regular books of account, the stubs of his check books, canceled checks and receipted bills were practically the only records of disbursements available. These were examined.

Many checks were drawn for purely personal matters. Many were drawn for cash, and Malone informed your examiner what checks so drawn were used for Postal Life expenses. Many checks were drawn to individuals, some of which were for personal matters and others for company matters. In such matters as disbursements for printing, advertising, office supplies, rent and medical fees, other vouchers as well as checks were obtainable. Descriptions on check stubs showed that many of the checks were drawn for postage and salaries for office help.

The following statement shows amounts paid during 1908 by Malone for the purposes set forth herewith, and which could be readily verified from the checks or stubs:

Salaries	\$5,962 48
Legal expense	3,000 00
Actuarial expense	4,077 45
Office expense	1,202 12
Postage	900 00
Rent	3,583 29
Printing	2,600 49
Advertising	5,693 53
Medical fees	1,258 50
Total	<u>\$28,277 86</u>

One thousand two hundred and ninety-six dollars and twenty-nine cents additional should be added, as this amount was paid direct to the Mutual Reserve receivers but charged against the auxiliary contract and included in the amount paid to Malone.

There were checks aggregating \$6,373.33 drawn for cash, and Malone informed your examiner that all this amount was used in conducting his business for the Postal Life under the contract, and that he would estimate the division of it as follows:

Postage, Mutual Reserve	\$1,500 00
Salaries, Mutual Reserve	2,573 33
Legal expense, Mutual Reserve	1,000 00
Traveling	1,300 00
Total	<u>\$6,373 33</u>

He stated also that certain checks representing several thousand dollars in the aggregate and drawn to certain individuals were for the repayments of loans made to him, the proceeds of said loans having been previously expended by him under the contract.

A portion of the disbursements shown above were for old bills and accounts due before 1908, and, therefore, the total disbursements as above cannot be charged against his receipts for that year in determining the profits made.

The statement given below approximates the disbursements for current expenses of 1908 and includes the cash items of \$6,373.33 given above:

Salaries, Postal Life.....	\$5,962 48
Salaries, Mutual Reserve.....	2,573 33
Legal expense	3,250 00
Actuarial expense	4,077 45
Office expense	1,202 12
Postage	2,400 00
Rent	2,200 00
Printing	2,600 49
Advertising	1,108 09
Medical fees	1,258 50
Traveling expenses	1,300 00
Commission, Mutual Reserve receivers.....	1,296 29
Total	<u>\$29,228 75</u>

The officers and office force are necessarily used both for the business of the company and for the work for which Mr. Malone is responsible under the auxiliary contract. The actuarial work was for both and also the printing. I have made the following estimates from the data obtainable as to what was Mr. Malone's personal proportion of the disbursements. The estimate was as follows:

Salaries (office help).....	\$1,490 62
Actuarial expenses	2,038 73
Rent	550 00
Printing	650 12
All others	1,000 00
Total	<u>\$5,729 47</u>

This leaves a balance of \$23,499.28 expended for Postal Life purposes for current expenses in 1908 against \$32,017.08 received for loadings.

From the information and data obtainable, the situation of Malone under his contract appears to be as follows:

That during the years 1905, 1906 and 1907 he expended for the Postal Life expenses all he received from the company and that there was a substantial profit in 1908 is shown by the fact that indebtedness amounting to several thousand dollars and contracted prior to 1908 was paid off in 1908.

At a meeting of the board of trustees December 2, 1908, "it was brought to the attention of the board that Mr. Malone's contract would expire within the month: it was, therefore, moved by Dr. Phillips and supported by Mr. Payne that the contract be renewed for another year and Mr. Mendel be appointed to sign such contract on behalf of the board. The motion was unanimously carried." There were present at above meeting Trustees Mendel, Visscher, Phillips, Payne, Malone, Hopkins and Winslow.

As the amounts paid out under this contract had increased from \$8,692.93 in 1907 to \$32,017.08 in 1908, the testimony of the trustees voting at above meeting except that of Malone, was taken to ascertain whether any investigation as to profits made or as to how much it was costing to run the Postal Life, had been made by the board of trustees. Trustees Mendel, Phillips, Visscher, Payne, Hopkins and Winslow were examined and their testimony agrees that the trustees have been relying upon Mr. Malone in his statements as to his financial standing under the contract. The trustees seem to have left the entire responsibility and management of the company upon Malone and were awaiting the time when he should state that there had been returned to him under the contract all of the money he had expended in behalf of the Postal Life and that until he was reimbursed for all such expenditures it was their intention to let the contract stand. It appears that all of them have relied on Mr. Malone's good faith in this matter. How he stood under his contract was made known to them from time to time by Mr. Malone, and they accepted these reports without question as to their reliability.

It would seem that the trustees should have gained more knowledge of how much it was costing Malone for the direct expenses of the Postal Life and how much profit, if any, he was making out of his contract, and thus be in a position to better judge for themselves than their testimony showed, whether this renewal was for the best interests of the company.

The general understanding of the trustees is that there had been no profit to Malone under his contract and that he is behind in it. He has informed your examiner that all he desires is to get back what he has paid out under his contract and that the same will then be canceled. This seems to be the general understanding the trustees have of the situation.

While this contract may have been of assistance to the company for the first few years, its usefulness has now ceased; during the year 1908 the loadings were more than enough to pay the direct expenses of the Postal Life and a profit was admittedly made by Mr. Malone for that year, a part of which was applied on deficiencies of previous years. While this contract has been in existence since 1907 and has been noted in the annual statement of said company, your examiner is not satisfied that it is legal, because under the strict terms of same it purports to incur expenses in excess of the total loading and assumed mortality gains. While since August 11, 1908, when the company went on a participating basis, it has been construed in harmony with section 97 in that Mr. Malone has not claimed more than the loadings and assumed mortality gains, still the contract itself has not been so amended as to make such interpretation consistent with the plain meaning of the words as used therein. Further, it would seem that it is impliedly against the law in that it might remove all restrictions placed upon a company as to the character of the expenses of management and publicity of the same. If the disbursements were made directly by the company instead of by an auxiliary company or individual under an auxiliary contract, a report showing to whom disbursed and for what purpose would have to be made to the Insurance Department, and no amount over \$100 could be disbursed unless evidenced by a voucher as provided in section 99 of the Insurance Law. Such a contract would seem thus to allow the company to avoid meeting the full requirements of the law as to publication of disbursements.

Mr. Malone in this case has tried to satisfy the spirit of the law by furnishing the department schedules of his disbursements under the contract. Inasmuch, however, as he admits that such schedules included other than direct expenses of the Postal Life, they fall short of furnishing the information the law requires.

Reinsurance Agreements Between the Postal Life Insurance Company and the Receivers of the Mutual Reserve Life Insurance Company

Agreements were entered into on June 1, 1908, between the Postal Life Insurance Company (hereinafter called the Postal Life), and William Hepburn Russell and Charles E. Rushmore, as receivers for the Mutual Reserve Life Insurance Company (hereinafter called the Mutual Reserve), providing for the reinsurance of the Mutual Reserve policyholders by the Postal Life.

One agreement provides for the reinsurance of those members holding policies on what is known as the "legal reserve" plan, the other for those holding policies on what is known as the "contract reserve" plan.

A copy of the agreement on the legal reserve plan together with a blank form of application, blank form of certificate of health and a medical examination report is attached hereto as Exhibit "B."

A copy of the agreement on the contract reserve plan together with a blank form of application is attached hereto as Exhibit "C."

The terms under which these policies were taken over are fully set forth in these agreements.

On December 31, 1908, the total amount of interest-bearing liens on policies issued amounted to \$188,769 — \$159,792 at 3½ per cent. and \$28,977 at 4 per cent. The total impairment liens amounted to \$197,057.

The question as to the proper valuation of these policies has been raised. The Postal Life's contention is that they are original issues of 1908, and as such entitled to the select and ultimate margins. Following the instructions contained in your letter of May 28th, these policies have been treated as reinsurances and valued on the whole American Experience Table at 3½ per cent. interest. This valuation has later been upheld by the Attorney-

General of this State in an opinion handed down by him under date of July 22, 1909.

A copy of a letter dated March 1, 1909, together with the application covering same, is attached hereto as Exhibit "D." This letter and application form a new proposal to the Mutual Reserve policyholders and the conditions are fully set forth therein.

Attached hereto as Exhibit "E" is a copy of an application, setting forth the terms under which an assessment policyholder in the Mutual Reserve may be taken over by the Postal Life.

During the first five months of 1909, 177 policyholders of the Mutual Reserve have been taken over by the Postal Life, with insurance amounting to \$334,037. The reserve liens on these policies amounted to \$41,061, and the impairment liens \$62,893.

Reinsurance of the Policy Contracts of the Economic Life Insurance Company of Philadelphia, Pennsylvania

[Incorporated under the laws of Delaware]

Attached hereto as Exhibit "F" is a copy of a proposal dated April 3, 1909, of the Postal Life to take over all the assets and liabilities of the Economic Life, and setting forth on what basis.

As Exhibit "G" the following copies have been attached:

1. Of a resolution on April 6, 1909, of the board of directors of the Economic Life appointing a committee to accept the proposal of the Postal Life.

2. Of the Economic Life committee's acceptance on April 7, 1907, of the Postal Life proposal.

3. Of a confirmation on April 7th of the Postal Life's proposal by its president and secretary, with copy of minutes authorizing same.

The communications attached hereto as Exhibits "F" and "G" together constitute a contract, under the terms of which the Postal Life assumes the liabilities set forth in the schedule attached hereto as Exhibit "H," and aggregating \$51,819.61, in return for which the Economic Life transferred to the Postal Life assets equal to that amount as follows:

Assets Transferred

Bonds	Par Value	Rate to obtain market value	Market value
Town of Smyrna, Del., refd. 1925, 4%...	\$2,000 00	94	\$1,880 00
Aurora, Elgin & Chicago Rwy. Co. 1st mtge. 1941, 5%	5,000 00	100	5,000 00
Harrisburg Gas Co. 1st mtge. 1928, 5%.	10,000 00	103	10,300 00
Mason City & Ft. Dodge R. R. Co. 1st mtge. 1955, 4%	5,000 00	87	4,350 00
Chicago, Rock Is. & Pacific Rwy. Co. 1st and refd. 1934, 4%.....	10,000 00	93	9,300 00
Buffalo, Roch. & Pittsburg Rwy. Co. Equipment, 1922, 4½%	10,000 00	100	10,000 00
Total market value of bonds.....			\$40,830 00
Net amount of uncollected and deferred premiums.....			8,372 55
Premium notes			2,925 41
			<hr/> \$52,127 96
Returned to the Economic in cash.....			308 35
Assets transferred			<hr/> <hr/> \$51,819 61

Liabilities Assumed

Net present value of all outstanding policy obligations in force April 7, 1909, computed by the Pennsylvania Insurance Department, according to the American Experience Table of Mortality at 3½%, and by the select and ultimate method.		\$49,008 00
Outstanding bills and accounts.....		2,811 61
Total liabilities assumed		<hr/> \$51,819 61 <hr/>

After an examination had been ordered by you, during the course of which the character of the assets transferred was looked into and the amounts so transferred duly verified by your examiners, and the amount of liabilities checked and verified, your consent to the reinsurance of these policy contracts with the Postal Life was given, as was that of the Commissioner of Insurance of the State of Delaware.

There were 1,005 policies taken over with insurance aggregating \$2,744,558.

By expressing approval of the action set forth in Schedules "F" and "G" the stockholders of the Economic Life may indi-

vidually elect either to take the book value of their shares, when ascertained, in cash or in the stock of the Postal Life issued at par. The Postal Life is to increase its capital stock by the amount of the par value of the shares to be issued to the stockholders of the Economic Life; a sum equal to the par value of shares so issued is to be turned over to the Postal Life. The book value of the Economic Life stock has not as yet been definitely determined, but I am informed by Mr. Malone that it will be about \$60,000, the total par value of the Economic Life stock issued having been about \$240,000.

Capital Stock

The capital of this company is \$100,000, consisting of 10,000 shares, the par value of each being \$10.

The list given below shows to whom the shares were originally issued and the amount paid for same to the company.

To whom issued	No. of shares	Price paid	Amt. paid
Richard Wightman and William R. Malone	9,471	\$10 00	\$94,710 00
Richard Wightman and William R. Malone	497	30 00	14,910 00
D. Flanagan	20	30 00	600 00
Twelve persons, 1 share each	12	30 00	360 00
	10,000		\$110,580 00

On December 31, 1908, there were 648 stockholders, and the ten principal stockholders as shown by the stock certificate book and stock ledger are listed herewith.

NAME	No. of shares
William R. Malone	3,732
William H. Mendel	460
William H. Ridge	263
Helen W. Malone	250
J. Royal Snyder	250
Wendell C. Phillips	239
D. Flanagan	194
T. Harvey Smith	185
Frank C. Hoyt	132
C. C. Bergen	101

I am informed that the Underwriters Auxiliary (Malone) has been handling the sale of this stock to the public, and that all such sales have been from \$30 to \$40 a share, the par value being \$10.

But one dividend has been declared on the capital stock and that was for 5 per cent. and was payable March 1, 1907.

Officers

President	William R. Malone
Vice-President	William S. Russell
Secretary	Wesley Sisson
Treasurer	William H. Mendel

Trustees

Frank C. Hoyt	Herbert E. Payne
Wm. B. Chamberlain	D. Flanagan
Wm. B. Winslow	George S. Grone
Wm. R. Malone	Edwin G. Ogden
Wm. H. Mendel	A. A. Hopkins
Wm. C. Cooper	T. C. Visscher
Wendell C. Phillips	Wesley Sisson
Wm. S. Russell	

None of the officers or trustees receive any salary or compensation from the company direct, but a fee is paid to the trustees by Malone for their attendance at meetings.

Change from a Nonparticipating to a Participating Company

On August 11, 1908, this company changed from a nonparticipating to a participating company, and the reasons therefor are given in paragraph four of the reinsurance agreement attached hereto as Exhibit "B."

Schedule "Q"

As there is no separation of the first year's expenses from the total expenses, Part I of Schedule Q cannot be made up.

The company's insurance margins exceeded the total expenses for the year 1908. As the company was on a participating basis only from August 10th, it would be necessary to have Part II of Schedule Q made up from August 10th to December 31, 1908,

to find out how much of these margins should be assigned to that period.

Amount of Insurance in Force and How Secured

From its commencement in business to 1908 this company's sole method of securing business had been through advertising and circularizing. This method seems to have been at least temporarily abandoned, for the last policy thus secured was written in September, 1908, and practically all the business secured since June, 1908, has been through its reinsurance agreements. The business in force May 31, 1909, approximated \$6,000,000, of which about \$5,000,000 was reinsurance.

Mortality Experience

The mortality experience for the year 1908 was very favorable, the loss and gain exhibit showing a gain from this source of \$20,119.67. The total amount of death claims was but \$1,100, and this was on the direct business of the Postal, there having been no deaths among the reinsured members of the Mutual Reserve.

Respectfully submitted,

ARTHUR F. SAXTON,
Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Arthur F. Saxton, being duly sworn, deposes and says that the foregoing report, subscribed by him, being in amendment of the same report subscribed and sworn to by him on the 9th day of June last, is true to the best of his knowledge and belief.

ARTHUR F. SAXTON.

Subscribed and sworn to before me
this 26th day of August, 1909.

KATE F. CAHILL,
[L. s.] Notary Public, New York County.

SUPPLEMENTAL REPORT

NEW YORK CITY, *December 1, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Since the hearing on the report of the Postal Life Insurance Company, Mr. Malone has advised the Department, that he and the company have canceled the auxiliary contract. This has been verified by your examiner, the contract having been canceled at a meeting of the trustees of the company held November 3, 1909, the cancellation taking effect October 30, 1909. Hereafter, therefore, the company will make its own disbursements and receive itself any profits that may flow to it from any source.

Respectfully submitted,

ARTHUR F. SAXTON,
Examiner.

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

Arthur F. Saxton, being duly sworn, deposes and says that the foregoing supplemental report subscribed by him is true to the best of his knowledge and belief.

ARTHUR F. SAXTON.

Subscribed and sworn to before me
 this 1st day of December, 1909.

ROBERT G. JAFFERY,
 [L. s.] *Notary Public, New York County*
 My Commission expires March 30, 1910.

STATE OF NEW YORK
 INSURANCE DEPARTMENT
 NEW YORK OFFICE, 165 BROADWAY
 NEW YORK, *September 10, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—I have to report that the examination directed to be made under authority of your appointment No. 2216, hereto

annexed, of the Lawyers' Mortgage Company of New York, has been completed.

The examination was made for the following purposes:

First: To verify an increase in the company's capital stock from \$2,500,000 to \$4,000,000.

Second: To ascertain the financial condition of the company as a result of said increase; and, to further ascertain whether the requirements of sections 62, 63 and 64 of the Stock Corporation Law have been properly complied with.

Increase of Capital Stock

At a special meeting of the board of directors held April 8, 1909, it was resolved that the capital of the company be increased from \$2,500,000 to \$4,000,000 by an issue of 15,000 shares of stock, par value \$100, amounting to \$1,500,000. This resolution was confirmed at a meeting of the stockholders held May 11, 1909. Certified copies of the proceedings of such meetings are attached to this report.

Attached hereto is a schedule containing a list of the subscribers to the increased capital stock, showing their respective names and addresses, also the number and amount of shares subscribed and paid for, in cash, by each stockholder, respectively, with the various dates of such payments.

I have checked the cash book, compared the names with the stock certificates issued and find that there was paid in to the company the sum of \$1,500,000, representing the par value of 15,000 shares at \$100 per share, between the dates of June 8, 1909, and July 8, 1909.

This increased capital has been partly invested in real estate mortgages, and the balance is on deposit in cash in various banks and trust companies.

Also attached hereto is an affidavit of the president and secretary of the company to the effect that the sum of \$1,500,000, representing the increased capital of the company, has been fully paid in, and that all requirements of statute covering such increase have been complied with.

Financial Condition

The financial condition of the company on July 8, 1909, as shown by this examination was found to be as follows:

ASSETS

Mortgage loans owned.....	\$3,186,860 00
Share ownership in mortgage loans.....	382,875 00
Unregistered balance of mortgage certificate..	42,097 16

Total	\$3,611,832 16
Less payments on account of reduction.....	96,125 00

Total bond and mortgage loans.....	\$3,515,707 16
Building loans	1,793,180 00
Real estate Brooklyn office building (department appraisal) ...	160,000 00
Real estate (since sold).....	5,680 89
Cash in bank and trust companies.....	1,488,879 36
Cash in office.....	250 00
Cash in office (check for capital stock subscription).....	100 00
Accrued interest, bond and mortgages, and building loans to July 1, 1909.....	87,695 47
Accrued premium on guaranteed mortgage loans to July 1, 1909	108,580 38
Interest due and not paid on guaranteed mortgages.....	98,275 73
Insurance paid on mortgaged real estate.....	1,058 68
Exchange	824 12

Total assets	\$7,260,231 79
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LIABILITIES

Funds held for investment.....	\$947,872 16
Special deposits to secure payments of interest, taxes, etc....	49,843 04
Prepaid premium on guaranteed mortgage loans.....	46,521 45
Recording tax not yet paid.....	3,462 85
Accrued rent	395 00
Accrued insurance, taxes (estimated).....	1,750 00

Total liability, except capital and surplus.....	\$1,049,844 50
Capital	\$4,000,000 00
Surplus	2,210,387 29
	<u>6,210,387 29</u>

Total liability, including capital and surplus.....	\$7,260,231 79
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All the bond and mortgage papers on file in the company's office on July 8, 1909, were examined, and the fire insurance policies were compared. Those mortgages that had been sold subsequent to the date of this examination were checked through the cash book. Certain mortgage extensions and assignments were not in possession of the company at its office, and I am informed that same were in the office of the recorder for the purpose of record. For such reason no examination of said papers was made.

In the list of assets, under the head of mortgage loans, there have been included seven mortgages under foreclosure proceedings, amounting to \$97,900, the property securing said mortgage being appraised by the company in the sum of \$159,100.

The mortgage certificates amounting to \$42,097.16 were verified by certificates from the Lawyers' Title Insurance and Trust Company, and the New York Trust Company, respectively, as trustees of the mortgages securing said certificates.

The items accrued interest on bond and mortgage in the list of assets above referred to, and accrued premiums, were both computed by the company to July 1, 1909, and for the purpose of this examination, such computations were allowed.

To ascertain the exact amount of accrued premiums to July 8th would necessitate a computation of the premiums accrued for eight days on guaranteed mortgages amounting to nearly \$87,000,000.

The asset item of \$98,275.73 interest due and not paid on guaranteed mortgages represents disbursements made by the company for interest due on same in excess of interest received.

The company had outstanding on July 8th the sum of \$86,835,790 in mortgages, on which the payment of principal and interest has been guaranteed. Eighty-two thousand five hundred dollars of this amount represents seven mortgages under foreclosure, the value of the property securing said mortgages, as appraised by the company, being \$126,200.

In a pamphlet circulated by the company setting forth its condition on June 30, 1909, the value of New York city mortgages is carried at the sum of \$5,110,629.45. Strictly speaking, this item is not composed of mortgage loans, but is made up in the following manner:

Mortgage loans	\$3,234,972 16
Building loans	1,678,220 00
Accrued interest bonds and mortgages.....	87,695 47
Accrued premiums	108,580 38
Insurance advanced	1,161 44
	<hr/>
	\$5,110,629 45
	<hr/>

The liability item of mortgages sold not delivered \$1,012,482.40 included in the aforementioned pamphlet is not properly

set forth under such caption, but is composed of the following items:

Funds held for investment.....	\$912,785 61
Special deposit	49,718 04
Prepaid premium	46,521 45
Recording tax	3,457 30
	<hr/>
	\$1,012,482 40
	<hr/>

Copy of said pamphlet is submitted with this report.

The Lawyers' Mortgage Company now purchases all its mortgages from the Lawyers' Title Insurance and Trust Company, receiving with each mortgage a policy of title insurance. The company pays no premium to the Lawyers' Title Insurance and Trust Company for assignments of said mortgages, the latter company retaining the usual title search fee.

Close business relations are maintained between the two companies, Edwin W. Coggeshall, vice-president of the Lawyers' Mortgage Company being also president of the Lawyers' Title Insurance and Trust Company. The latter company acts as depositary for a portion of the funds of the former, large balances being held at both the New York and the Brooklyn offices of the trust company to the credit of the mortgage company. The Lawyers' Title Insurance and Trust Company is a stockholder in the Lawyers' Mortgage Company to the extent of 3136 shares, representing a par value of \$313,600.

In the city of New York the company shares its office with the Mortgage Bond Company, a corporation reporting to the Banking Department. Richard M. Hurd, president of the company, is also president of the Mortgage Bond Company.

The following is the list of officers with the yearly compensation of each:

Richard M. Hurd, President.....	\$22,500
Edwin W. Coggeshall, Vice-President.....	.....
Cecil C. Evers, Secretary.....	8,500
George S. Seward, Treasurer.....	5,000
Peter Hamilton, Asst. Secretary.....	3,500
Orlando S. Isbell, Asst. Secretary.....	3,500
H. S. Abbot, Asst. Secretary.....	3,500
Joseph W. Phair, Asst. Treasurer.....	3,500

Respectfully submitted,

CHARLES H. GARDNER,
Assistant Examiner.

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHARLES H. GARDNER.

Subscribed and sworn to before me
 this 10th day of September, 1909.

[L. S.] KATE F. CAHILL,
Notary Public New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *September 14, 1909*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
 Albany, N. Y.*

SIR.—Complying with your instructions contained in appointment No. 2228, hereto annexed, I have made an examination of the condition and affairs of the Metropolitan Live Stock Insurance Company of Syracuse, N. Y., an assessment company operating under the provisions of article VIII of the Insurance Law.

I find the condition of said company on September 7, 1909, to have been as follows:

ASSETS

Bills receivable	\$348 20	
Cash in bank	655 84	
		<hr/>
Total		\$1,004 04

Assets Not Admitted

Bills receivable	348 20	
		<hr/>
Total admitted assets		\$655 84

LIABILITIES

Borrowed money	\$500 00
Unpaid claim (unadjusted)	30 00
Total liabilities	<u>\$530 00</u>
Excess of assets over liabilities	<u>\$125 84</u>

The income and disbursements from June 9, 1909, to September 7, 1909, were as follows:

INCOME

Premiums (cash)	\$2,094 03
Premiums (notes)	348 20
Borrowed money (B. E. Wood)	250 00
Borrowed money (Jacob Hecker)	250 00
Total income	<u>\$2,942 23</u>

DISBURSEMENTS

Losses	\$225 00
Salaries — officers and clerk	473 00
Traveling expenses	326 97
Rent (offices)	96 00
Stationery and printing	69 33
Agents' commissions	417 42
Advertising	46 35
Postage	32 35
Telephone	10 00
Veterinary inspection fees	110 50
Legal services	25 00
Collection on checks	85
Miscellaneous	105 42
Total disbursements	<u>\$1,938 19</u>
Balance (ledger assets September 7, 1909)	<u>\$1,004 04</u>

This examination was intended as a supplemental one, but I found that the company had, after the previous examination, procured and opened (with the assistance of an expert accountant) an entire new set of books, copying and starting them from original date of removal to Syracuse, June 9, 1909. I was unable to verify or reconcile the balance and items furnished us at time of previous examination with the records as they now appear.

Consequently, I made this examination complete from June 9, 1909, to September 7, 1909, using figures and items as they appear on the new books. I would recommend that the company add to its books a loss book which is not kept at the present time.

I failed to find any entry or record made on the books, of the liability item \$291.54, mentioned in the report of the previous examination for money advanced to the company by President B. E. Wood. When the matter was called to Mr. Wood's attention he stated that the sums so advanced had been voluntarily donated by him to the company. I, therefore, secured and have annexed to this report, his affidavit to this effect.

You will note in the statement that loans are outstanding in favor of President B. E. Wood and Secretary Jacob Hecker each for \$250. These sums were advanced subsequently to the previous examination and is exclusive of the amount \$291.54 donated by President Wood as stated in sworn affidavit mentioned above.

President Wood further stated that the bill of Attorney E. L. Stone for legal services, \$50, had been paid by him personally; also that the bill of Mrs. Myers for accountant's services, \$25, would be paid by Secretary Hecker and himself personally and would not become a liability of the company, in either case.

Meetings of directors were held on July 5, and August 18, 1909, at which times changes were made in the office of secretary and treasurer. Jacob Hecker was elected secretary and treasurer at the meeting of August 18, and at present time is serving in that capacity. The salary of the president was fixed at \$25 per week and car fares. Copies of the minutes of these directors' meetings are attached hereto.

As nearly as could be ascertained from the records there are in force, at the date of this examination, 175 policies, carrying insurance in the aggregate sum of \$43,207.

I attach hereto a copy of an agreement dated August 18, 1909, between B. E. Wood and Jacob Hecker, which I found among the company's papers and which purports to sell an interest in this mutual company.

Respectfully submitted,

CLARENCE J. NORTON,
Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Clarence J. Norton being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CLARENCE J. NORTON.

Subscribed and sworn to before me
this 14th day of September, 1909.

[SEAL] ISAAC FULD,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT
NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *September 23, 1909*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR—Having completed the examination of the Insurance Company Salamandra of St. Petersburg, Russia (United States branch), authorized by your appointment No. 2224 under date of August 14, 1909, hereto attached, I beg to submit the following report thereon:

The company was organized under the laws of Russia, entered the State of New York as a reinsuring company on December 30, 1899, and has on deposit with the Insurance Department at Albany the sum of \$200,000 for the protection of the policy-holders in the United States.

This examination was made as of June 30, 1909, on which date the financial condition of the United States branch of the company was found to be as follows:

ASSETS

Bonds	Par value	Market value
Atch Top & S F gen'l 4s 1905....	\$25,000	\$25,343 75
Baltimore & Ohio 4s 1948.....	25,000	25,187 50
Baltimore & Ohio prior lien 3½s 1925	25,000	23,562 50
Buffalo & S W 1st mtg 5s 1918..	50,000	52,000 00
Cen Pacific 4s 1949.....	25,000	24,250 00
Cen Pacific gold 3½s 1929.....	50,000	44,750 00
Chicago & Alton equip notes 4½s 1917	50,000	49,000 00
C B & Q gen'l 4s 1958.....	25,000	25,000 00
Chi & E Ill ref 4s 1955.....	25,000	22,000 00
Chi & N W deb 5s 1921.....	50,000	54,187 50
Chicago Rys Co 1st 5s 1927.....	50,000	50,500 00
Chi R I & P ref 4s 1934.....	25,000	22,968 75
Lake Shore & M S 4s 1928.....	50,000	47,500 00
Lake Shore & M S 3-yr gold notes 5s 1910	50,000	50,375 00
N Y Central equip bonds 5s 1913.	50,000	52,187 50
N Y Central equip bonds 5s 1919.	50,000	54,562 50
N Y L & W Ry Co 4s 1923.....	25,000	25,125 00
N Y N H & H deb 6s 1948.....	50,000	69,312 50
North Pac-Gt N C B & Q joint 4s 1921	50,000	49,187 50
Penn R R col gold notes 5s 1910..	150,000	151,500 00
Penn R R col 10-yr conv 3½s 1915	100,000	96,625 00
Penn R R col 10-yr conv 3½s 1912	50,000	50,375 00
Penn R R fght equip 4s 1911....	100,000	100,000 00
Penn R R fght equip 4s 1914....	25,000	25,250 00
Penn Co 3½s 1916.....	34,000	33,362 50
Sciota Valley & N E 4s 1989....	25,000	24,281 25
Union Pac conv 4s 1927.....	50,000	55,500 00
Columbus O Improv 4s 1916.....	100,000	101,500 00
N Y State Canal 3s 1912.....	200,000	201,000 00
N Y City bridge 3½s 1928.....	100,000	93,000 00
N Y City building 3½s 1929.....	135,000	125,550 00
N Y City docks and Ferries 3½s 1928	25,000	23,250 00
N Y City ex 3½s 1954.....	100,000	90,375 00
Met St Ry Kansas City 5s 1910..	25,000	25,093 75
N Y N H & H Ry 4s 1914.....	25,000	25,000 00
Chi R I & P Ry Co 4½s 1916....	25,000	28,656 25
Pacific Telp & Telg Co 5s 1937...	50,000	48,000 00
Tidewater Co 6s 1913.....	25,000	25,750 00
North American Co 5s 1912.....	25,000	25,000 00

Total par and market values. \$2,119,000. \$2,112,068 75

\$2,112,068 75

Cash in hands of trustees.....	\$9,284 89
Cash in banks and trust companies.....	261,408 50
Uncollected premiums covering business written within three months less commissions thereon.....	356,374 87
Interest accrued on bonds.....	24,162 88
Due from State of New York for rebate on taxes paid.....	1,732 83
	<hr/>
Aggregate assets	\$2,765,032 72
	<hr/> <hr/>

LIABILITIES

Unpaid fire losses.....	\$459,943 28
Unearned premiums:	
One year risks.....	\$750,483 19
Term risks	489,666 44
	<hr/>
Total unearned premiums.....	1,240,149 63
Due for reinsurance.....	298,547 67
Due for return premiums.....	2,346 88
Taxes accrued (estimated).....	1,700 00
	<hr/>
Total liabilities except surplus.....	\$2,002,687 46
Surplus to policyholders.....	762,345 26
	<hr/>
Total liabilities	\$2,765,032 72
	<hr/> <hr/>

Included in the list of securities owned as above set forth, the company has on deposit with the general fiscal officer of the State of Ohio for the benefit of the policyholders in the United States the following securities:

Description	Par value	Market value
Columbus, Ohio, Imp. Bonds 4% 1916.....	\$100,000 00	\$101,500 00

The financial condition of the company under the capital requirements of section 27 of the Insurance Law on June 30, 1909, as shown by this examination, was as follows:

ASSETS

Bonds, market value.....	\$2,112,068 75
Cash held by trustees.....	9,284 89
	<hr/>
Total gross assets in the United States deposited with Insurance Departments and trustees.....	\$2,121,353 64
	<hr/> <hr/>

LIABILITIES

Total unearned premiums.....	\$1,240,149 63
Unpaid losses	459,943 28
Due for reinsurance.....	298,547 67
Due for return premiums.....	2,346 88
Taxes accrued	1,700 00
	<hr/>
Total liabilities in the United States.....	\$2,002,687 46
Capital under section 27 of the Ins. Law.....	118,666 18
	<hr/>
Total, being gross assets reported above.....	\$2,121,353 64
	<hr/>
Required capital under section 27.....	\$200,000 00
Capital in possession of company on June 30, 1909	118,666 18
	<hr/>
Impairment	\$81,333 82
	<hr/>

The foregoing capital statement shows, that the capital of the company on June 30, 1909, under the provisions of section 27 of the Insurance Law amounted to the sum of \$118,666.18, which is \$81,333.82 less than the minimum sum, which foreign fire insurance corporations are required to hold under the provisions of said section. This apparent impairment can be readily made good by a transfer of funds now on deposit in bank to the credit of the company to the hands of trustees.

At date of this examination the company has in force premiums on fire risks amounting to the sum of \$219,684.71 received from the Jakor Insurance Company of Moscow, Russia, for reinsurance ceded by said company. Particular data covering the terms and expirations of said business is not in possession of the company. I have verified by personal examination of the books of the Jakor Insurance Company the totals of the business assumed, and consider such verification sufficient for the purposes of this report. As the full unearned premium is carried by either company it was deemed unnecessary to examine the books of the Jakor Insurance Company for a more complete verification of the item in question.

The following is a schedule of companies with which the company has reinsurance contracts, together with the dates of same:

Name of company	Date of contract
Assurance Company of America of N. Y.....	January 15, 1908
California Insurance Company of California.....	May 27, 1908
City of New York Ins. Co. of N. Y.....	Nov. 3, 1905
Connecticut Fire Insurance Co. of Conn.....	May 1909
Continental Insurance Company of New York.....	January 1907
County Fire Ins. Co. of Philadelphia, Pa.....	June 28, 1909
Franklin Fire Insurance Co. of Phila., Pa.....	February 25, 1907
Jakor Ins. Co. of Moscow, Russia.....	January 1, 1909
London & Lancashire Fire Ins. Co. of England.....	April 27, 1903
Mechanics & Traders Ins. Co. of Louisiana.....	February 25, 1907
National Fire Ins. Co. of Hartford, Conn.....	February 25, 1907
Niagara Fire Ins. of N. Y.....	October 15, 1908
Northern Assurance Co. of England.....	June 4, 1906
Orient Insurance Co. of Hartford, Conn.....	October 18, 1904
Scottish Union & Nat'l Ins. Co. of Scotland.....	January 1, 1906
Westchester Fire Ins. Co. of N. Y.....	April 1, 1900
Williamsburgh City Fire Ins. Co. of N. Y.....	April 17, 1903

On January 1, 1909, the company entered into a reinsurance contract with the Jakor Insurance Company of Moscow, Russia, ceding to the Jakor Insurance Company 25 per cent. of the net premiums received on and after date of said contract, excluding, however, premiums ceded by the Jakor.

On June 30, 1909, the company also entered into a reinsurance contract with the International Insurance Company of New York, ceding to the said International Insurance Company 50 per cent. of the net premiums in force, less other reinsurance on July 1, 1909, and a like amount of all net premiums received thereafter, less other reinsurance.

Albert Willcox & Company, the managers of the United States branch of the company, have a commission contract with the company's general agent at Hamburg, Germany, which provides for a commission of three-fourths of 1 per cent. on the total net premiums received, which will amount approximately to \$22,000 for the year ending December 31, 1909. In addition thereto they are to receive 3 per cent. of the net profits accruing annually.

Respectfully submitted

ISAAC FULD,

Examiner

STATE OF NEW YORK
COUNTY OF NEW YORK ss.:

Isaac Fuld, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

ISAAC FULD.

Subscribed and sworn to before me
this 25th day of September, 1909.

[L. s.] ALICE W. PARSONS,
Notary Public, Kings Co., Cert. filed in N. Y. Co.

STATE OF NEW YORK

INSURANCE DEPARTMENT
NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *September 27, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your directions as contained in appointment No. 2236, hereto annexed, we have made an examination of the Economic Relief Association, a fraternal beneficiary association, incorporated and doing business under the provisions of article VII of the Insurance Law, with headquarters in the city of Buffalo, N. Y. As a result we hereby report the condition of the said association on September 13, 1909, to have been as follows:

LEDGER ASSETS

Cash in bank.....	\$31 83
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Non-ledger Assets

Assessments in course of collection, being the amount unpaid on the August assessment.....	252 16
Total assets	\$283 99

LIABILITIES

Due Philip Bommer for advances as per schedule submitted	\$111 29	
Rent unpaid	15 00	
Advance assessments	25 20	
Total liabilities		\$151 49
Balance		\$132 50

It is impossible to give herein an accurate statement of the income and disbursements, on account of the incompleteness of the order's financial records, but using the membership register as a basis in computing the assessment income and taking the disbursements as they appear on the cash book, we submit a statement of income and disbursements from January 1, 1909, to September 13, 1909, inclusive, to be as follows:

Balance on hand January 1, 1909.....	\$19 44
--------------------------------------	---------

INCOME

Assessments	\$2, 507 81	
Miscellaneous	30 06	
Unaccounted for	91 22	
Total income		2, 629 09
Total		\$2, 648 53

DISBURSEMENTS

Sick and accident claims.....	\$60 00	
Rent	213 00	
Philip Bommer, salary, expenses, refunds, etc..	771 66	
F. L. Runyon, salary and expenses.....	364 51	
Emmet Flemming, salary.....	30 00	
Advanced commissions, commissions, collections, medical examinations, traveling.....	718 21	
Telephone	42 85	
Office expense and supplies.....	46 33	
Office employee	116 14	
Postage	18 90	
Printing and stationery.....	89 26	
Miscellaneous	137 25	
Advertising	8 59	
Total disbursements		\$2, 616 70
Balance, ledger assets, September 13, 1909.....		\$31 83

This association was incorporated in the year 1871 under the name of Western New York Masonic Relief Association, with home office in the city of Rochester, New York. It subsequently removed its principal office to the city of Buffalo, New York, and changed its name to Economic Relief Association. The present officers have been in control only a comparatively short time, the secretary, Mr. F. L. Runyon, having been secretary since the year 1907, and the present president, Mr. Philip Bommer, having been president since on or about July 1, 1908.

The order issues death, sick, accident and funeral benefit certificates. On the date of this examination it had seven subordinate lodges in good standing, with a total, approximately, of 310 certificates outstanding.

We find the books and records kept in a very unsatisfactory manner. As above stated, it seems impossible to ascertain accurately the true income and disbursements. The cash book is conducted in such an unbusinesslike way that your examiners do not place any reliance on the deductions made therefrom. The book is never properly balanced, and the items have not been posted to their proper accounts in the ledger since January 1, 1909.

We find that the disbursements from January 1, 1909, to the date of this examination, as they appear on the cash book, exceeded the amount on hand January 1, 1909, and the income received for the above-stated period; consequently we were obliged to compute the income received from assessments from the membership record book. This latter item, together with a small additional one, had to be increased by the item in the income "unaccounted for, \$91.22," in order to force a balance on hand of \$31.83. It is probable that items of disbursement have been included in the record which perhaps have not been actually made and which might eliminate the above item of income "unaccounted for, \$91.22." However, comparatively few vouchers for payment were produced and those that were were checked on the books to the best possible advantage.

We were informed that it has been necessary for the officers from time to time to pay into the order, out of their private funds, moneys as advances to pay certain expenses, and to receive the equivalent whenever the cash was available. For this reason

it is probable that items of both income and disbursements have been omitted, and it appears that the officers are unable at any time to submit an accurate statement of the financial operations.

No regular record of cash receipts and disbursements appear prior to June 1, 1908, the pages in the cash book which should have shown this record having been torn out. The following statement, however, showing the income and disbursements from January 1, 1908, to June 1, 1908, appears:

Balance on hand January 1st, 1908.....	\$502 90
Received to June 1st.....	86 60
Donated by directors.....	574 06
	<hr/>
	\$1,163 56
Paid out January 1st to June 1st.....	1,163 56
	<hr/>

The constitution and by-laws of this order are particularly stringent as to the conduct of the officers in handling the financial affairs. Section 6 of chapter 3 of the Supreme Government defines the treasurer's duties as follows:

"It shall be the duty of the supreme treasurer to receive all moneys paid into the association; to report to the supreme secretary each day, or whenever required, the amount received and expended — both for expenses of management and for mortuary and disability benefits; he shall deposit all moneys received in the depository designated by the Supreme Directors and as required by them; he shall in conjunction with the secretary, countersign all checks issued by the association; he shall, on or before the tenth day of each month, furnish the supreme secretary with a list of members of the association, who, by reason of failure to pay their monthly premiums are not in good standing; he shall have his account posted and ready for examination by the secretary and auditor or accountants appointed by him, or by the insurance departments in the various states in which the association is authorized to transact business at any time, and especially at the close of each month, and for a regular yearly examination at the close of each fiscal year. He shall make to the Supreme Officers and Supreme Directors a correct report of the condition of the treasury, with a statement of his receipts and disbursements whenever required so to do. He shall furnish such bond as shall be required by the supreme directors."

The above is a law in name only. The present treasurer does not appear to know anything of the real condition of the order's financial affairs, and has received no compensation until recently.

The salaries now being paid when the cash is available are as follows: President, \$75 per month; secretary, \$50 per month; treasurer, \$10 per month.

The officers inform us that there are no certificate claims unpaid. Attached hereto is a sworn statement in relation to the liabilities on date of this examination.

One death benefit claim was paid during the year 1908. The certificate on which this claim was made was issued for \$1,000, but the claim was compromised for the sum of \$50, the officers claiming fraud on the part of the insured at the inception of the certificate, and also that the beneficiary was entitled only to the sum of \$36.26, the latter being equivalent to one assessment on all the members.

We would here respectfully call your attention to a provision of the law which seems to be difficult to apply to present day conditions among fraternal orders, and the same is often taken advantage of. Article VII, section 235, of the Insurance Law provides as follows:

* * * "It shall not issue any certificate or make any promise or agreement expressed or implied for the payment of any greater sum of money than one assessment upon all its members will realize at the time of issuing such certificate or the making of such promise or agreement."

This association issues certificates from \$500 to \$2,000, with a graded rate of assessment, but when a death claim is presented it contends that the beneficiary is entitled to the proceeds of one assessment only. One monthly assessment now amounts to approximately \$390. It follows, therefore, that a certificate for \$2,000 would not realize more than one for \$500. It would take approximately 1600 members at the same rate of assessment to realize a sum of \$2,000 of one assessment. Moreover, the statute directs that the amount shall not be any greater sum of money than one assessment upon all its members will realize "at the time of issuing such certificate or the making of such

promise or agreement." We find the latter is generally construed by associations to mean that a lesser amount may be paid if the same amounts to the proceeds of one assessment.

No effort is being made by the officers of this association to credit the moneys received to the funds of the various benefits, and to use for its expenses only the percentage prescribed by the by-laws, but every disbursement is paid out of a common fund.

We file herewith copies of certificates now being issued and a copy of the constitution and by-laws. We find that the life certificate does not contain a provision carrying out the intention of the above-named section of the Insurance Law. The amount of insurance is written in the contract, but a clause stating that only an amount not to exceed one assessment is payable, is omitted.

Respectfully submitted,

JOHN E. DIEFENDORF,

W. A. BILLINGHAM,

Assistant Examiners

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.:

John E. Diefendorf and William A. Billingham being duly sworn depose and say and each for himself says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

JOHN E. DIEFENDORF

W. A. BILLINGHAM

Subscribed and sworn to before me
this 29th day of September, 1909.

NICHOLAS ABEL,

Notary Public, No. 165, New York County.

[Seal]

EXHIBIT

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:

Mr. Philip Bommer and Mr. Frank L. Runyon, being duly sworn, depose and say and each for himself says, that he is presi-

dent and secretary, respectively, of the Economic Relief Association, of Buffalo, N. Y., a fraternal beneficiary association incorporated under article 7 of the Insurance Law of the State of New York; that to the best of his information, knowledge and belief, on the 13th day of September, 1909, there were no claims unpaid standing against said Economic Relief Association in the nature of death, sick, accident or funeral benefits, considered by him to be valid or invalid, nor other claims, bills or miscellaneous accounts unpaid on said date, and that the said association was or is in no way liable for the repayment of certain donations previously made by its officers or members to carry on the affairs of the said association and to liquidate certain claims standing against it, except the sum of \$111.29, owing to the said Philip Bommer, and other small items submitted to the examiners of the State Insurance Department in course of their examination on or about the aforementioned date.

PHILIP BOMMER
F. L. RUNYON

Subscribed and sworn to before me
this 20th day of September, 1909.

A. M. PEARSALL,
Comr. of Deeds, Buffalo, N. Y.

SUPPLEMENTAL REPORT

NEW YORK, *October 28, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—Supplementing our report on the examination of the Economic Relief Association of Buffalo, New York, dated September 27, 1909, we recommend that this memorandum be filed with the report.

At the hearing on the report above mentioned, held at the office of the Insurance Department in the city of Albany on the 27th day of October, 1909, it was shown that the officers of the association have installed a new cash receipt and disbursement book, and

made improvements in the bookkeeping and accounting methods of the association so that proper account of income and disbursements and also of the various funds of the association will be kept in the future. The removal of certain pages of the cash book referred to in the report was stated to have been done indiscreetly and not for any purpose of fraud or deception. It was stated that this had been done for the purpose of starting an entirely new record on the advent of a newly-elected set of officers. The secretary of the association also agreed that the defects in the certificates of membership heretofore issued in said association, criticized by the examiners, will be corrected in future issues, so that the same will comply with the provisions of section 235 of the Insurance Law.

We recommend that with this memorandum attached, the original report be filed.

Respectfully submitted,

JOHN E. DIEFENDORF,

Examiner

W. A. BILLINGHAM,

Assistant Examiner

MEMORANDUM FOR SUPERINTENDENT

IN RE ECONOMIC RELIEF ASSOCIATION

The Economic Relief Association was examined on September 27, 1909. A hearing on the report was given the officers October 27th following, and as a result of this hearing the examiners, Diefendorf and Billingham, made a supplemental report dated October 28, 1909.

Following the hearing given as mentioned in the preceding paragraph, the Superintendent addressed a letter under date of October 27, 1909, to the secretary, dictated in the presence of the latter, copy of which communication is annexed hereto marked Exhibit "A."

Under the ruling made by the Superintendent the future of the association was made conditional upon the quarterly reports called for being satisfactory, and the adjustment of the various

subjects mentioned in the exhibit. The time has not arrived for the filing of the first report.

It will be remembered that Attorney Penton of Buffalo called at the department on the 1st instant, handing the Superintendent minutes of meeting of board of directors of the Economic Relief, held on the 22d instant, at which meeting resolution was adopted calling for the suspension of Philip Bommer, president of the society, which transcript is annexed hereto marked Exhibit "B," together with the document entitled "Reasons why Philip Bommer was suspended, etc.," marked Exhibit "C," with copy of communication marked Exhibit "D" signed "Runyon," addressed to Mr. Penton, suggesting to him that he call at the department for the purpose of having it permit the association to continue in business.

On December 7, 1909, communication was received at department from one George H. Emewein, Buffalo, N. Y., in which there was enclosed the various papers hereinafter mentioned, to wit.:

(a) Communication dated November 29, 1909, signed by Philip Bommer, addressed to members of the Economic Relief Association, with a personal memorandum attached thereto, signed by himself, addressed "My dear Mrs. Bohn."

(b) Letter signed F. L. Runyon, dated November 23, 1909, sent to Mrs. Bohn relative to charges against Philip Bommer.

(c) Communication signed Fred Heilig, dated November 22, 1909, addressed to the "Supreme Conclave of the Economic Relief Association," wherein charges are described as being preferred against Frank L. Runyon. These last-mentioned papers are annexed hereto marked Exhibits "E," "F" and "G" respectively.

It is to be noted that a condition of internecine warfare exists in this organization, which must naturally result in disaster to the members, and matters appear to be in such a state that it is submitted whether it would be advisable to await the filing of any "quarterly report" called for in department letter of October 27th last.

It is to be noted that in the communication dated November 29, 1909, addressed by Mr. Bommer to the membership, a special meeting of the supreme conclave is called for December 22, 1909.

Apparently some persons are desirous of obtaining, by purchase, control of the above-named association for the reason that it is already established, and to "organize" a fraternal order would require the attaining of a higher standard of financial stability, viz.: the sum of at least \$4,000, while this is a going concern with total assets of but \$283.99. In connection with the above it is but a matter of justice to state the association has submitted, under date of the 2d instant, new forms of certificate contracts, which, with one exception, are in compliance with the suggestions made by the Superintendent at the hearing given October 27th last, but it would seem that an examination at this writing would disclose such a state of affairs that the best interests of the citizens of this State and the certificate holders of the corporation would be served by proceedings being taken under section 63 of the Insurance Law.

Respectfully submitted,

THOMAS F. BEHAN.

Dated: *Albany, December 7, 1909.*

EXHIBIT A

October 27, 1909.

Mr. FRANK L. RUNYON, *Secretary, Economic Relief Association, S. S. Morgan Bldg., Buffalo, N. Y.*

Dear Sir.—This is dictated in your hearing and is a memorandum of the views of the department touching the condition of the Economic Relief Association, as indicated in the report of Examiners Diefendorf and Billingham, verified Sept. 29, 1909.

You state that, as a result of the suggestion of the the examiners, you have made certain changes in your bookkeeping methods. This change will be noted by the examiners in a supplementary memorandum, to be attached to the report.

You state also that the pages torn from your cash book have been located and that the purpose of tearing them out was merely to start the books over again after Mr. Bommer became the active head of the order. This will be noted by the examiners in such supplementary memorandum.

Thus supplemented, the report will be filed. Considering it so filed, I desire to call your attention to several particulars:

While I realize that your order is young and that, like other orders so situated, it can, in the nature of things have but a small amount of money

on hand, yet facts brought out by the examination seem to indicate that it would be very difficult for it to succeed. You state that you, yourself, have put in a considerable sum of money. It is apparent that you and others will have to add to your previous contributions, if this order is to be carried over the period when its permanent existence is problematical. From this your order will be required to make quarterly statements to this department of income and disbursements, beneficiary claims and beneficiary payments, to the end that the department will be constantly informed as to its affairs.

You will also at once arrange so that your assessments will be divided into an expense fund, a mortuary fund, and a sick and accident fund; and you will not be permitted to use moneys to the credit of either of these funds for the purpose of disbursements in connection with any of the other funds. In this connection I call your attention particularly to the last sentence in Sec. 236 of the Insurance Law.

Your attention is also called to the fact that the certificates now issued by your order purport to promise payments to a member of a specific sum. For reasons indicated in the report, such certificates must, at once, be modified so that they will promise to pay "not more than" such specified sum. This does not apply to certificates now out, which evidence a contract existing between the order and the member. On all certificates now issued, in which your order promises to pay a bulk sum, it must pay such sum, even though it levies extra assessments to that end.

Please note the absolute necessity of quarterly statements. Such statements should begin as of and on January 1, 1910. If your annual statement is filed on or about that time, you need not then file a quarterly statement, but, if it is withheld for any considerable period of time within the sixty days allowed by law, you must file a quarterly statement on that day. Thereafter, such statements are to be filed on the first days of April, July and October of each year.

Yours respectfully,

WILLIAM H. HOTCHKISS,
Superintendent

EXHIBIT B

ECONOMIC RELIEF ASSOCIATION

BUFFALO, N. Y.

Meeting of the Board of Directors of the Economic Relief Association, held pursuant to regular call, at the office of the Association, on Monday, November 22nd, 1909.

Present: John E. Gorss,
Emmet Fleming,
George W. Morris,
Frank L. Runyon,

a majority of the Board of Directors in good standing.

Secretary Runyon explained the condition of the business and finances of the Association and of the diversion of funds other than through the proper channel, as laid down in the laws governing the Association.

The Supreme President not appearing at the meeting, Bro. George W. Morris was elected Chairman, pro tem, who called the meeting regularly to order.

Motion: by Emmet Fleming; seconded by John E. Gorss:

That: Whereas the Supreme President, Phillip Bommer, has violated the constitution and by-laws of the order in collecting and retaining funds of the order and refusing to turn such collections to the Supreme Treasurer, as required by the by-laws, therefore, Phillip Bommer be and is declared to be suspended from acting as President of the Economic Relief Association and that George W. Morris be designated to act as Supreme President until further notice by the Board of Directors. Carried.

Motion: by Emmet Fleming; seconded by John E. Gorss:

That all Conclaves be given notice of the above action, under seal of the Association and that they be directed to make all payments to the Supreme Treasurer, as directed by the Constitution and By-laws of the Association. Carried.

Motion: by John E. Gorss; seconded by Frank L. Runyon:

That this meeting adjourn subject to the call of the acting Supreme President.

[SEAL]

F. L. RUNYON,
Supreme Secretary.

EXHIBIT C

ECONOMIC RELIEF ASSOCIATION

BUFFALO, N. Y.

REASONS WHY PHILIP BOMMER WAS SUSPENDED AS PRESIDENT OF THE ECONOMIC RELIEF ASSOCIATION:

Diverting the funds of the Order, having collectors bring money to him personally and failing to turn it over to treasurer.

Collecting money for assessments and crediting them on lodge book, and failing to either turn money over to treasurer or credit it in cash book, or report same. See following account for proof: Fennely, Herman, Sweeney.

Padded expense account. No hotel bills filed, or mileage. No way of auditing same.

Failing to refer to executive committee appointments or contracts with deputies as required by by-laws.

Appointing accountants without authority or reference to treasurer as required in by-laws.

Writing accountants to send him money personally, which he kept and failed to make an accounting for. See Hotaling letter.

Juggling books: placing collections where expenses ought to be. Erasing items and otherwise mutilating records. See books.

Collecting October assessment from the following lodges amounting to approximately \$300 and refusing to turn over to treasurer: Ivy Conclave, Riverside Conclave, Filmore Conclave, Liberty Conclave.

Causing false reports to be inserted in newspapers in reference to the Order.
Issuing policies without signature of Secretary or Registrar.

Raising check No. 46, made payable to Rachel Rebetock, from \$2 to \$15 and cashing it at the Commonwealth Trust Co. See cancelled check with his indorsement.

Dated *June 29, 1909.*

EXHIBIT D

ECONOMIC RELIEF ASSOCIATION

BUFFALO, N. Y.

Mr. PENTON:

I would suggest that when you see Mr. Hotchkiss you ask him to write Mr. Bommer stating that he, Mr. Bommer, must not issue any policies in the name of the Economic Relief Association or transact any business or use the name in any way; also, if the question comes up of the transfer to those other people, say it was for the purpose of getting money with which to pay any losses that might occur, etc. I think if this is put to him by you he will grant the request.

I enclose all proof I have except the books. Try and get him to not put us out of business if possible.

Your truly,

RUNYON.

EXHIBIT E

ECONOMIC RELIEF ASSOCIATION

BUFFALO, N. Y., *November 29, 1909.*

DEAR SIR & BRO.—I hereby wish to notify you that serious charges were preferred against Mr. F. L. Runyon, our secretary, and a member of the Economic Relief Association, and in view of these charges, I, as Supreme President of the said association have called a special meeting of the Supreme Conclave to be held at 1005 D. S. Morgan Building, on Wednesday, Dec. 22, 1909, at 2. p. m. for the purpose of:

First: Filling vacancies caused by suspension of the Board of Directors.

Second: To consider charges preferred against Mr. F. L. Runyon.

Third: To change title of Supreme Officers to correspond with that of the Ritual, and to make such changes as will be considered best for the interest of our noble order.

I have also notified Mr. Runyon not to accept or collect any money which is the property of the E. R. A., from Nov. 15th, 1909. I also notify you as a member of the Home Conclave No. 1, not to pay Mr. Runyon any money until the charges are disposed of, and you will please take notice that you will not pay any money to Mr. Emmet Fleming, as he is not a member of our order, as you will notice under date of November 17th, 1909.

I wrote Mr. Fleming and others the following letter, which is self-explanatory:

SIR.—I hereby notify you that you are suspended as a member of the Home Conclave No. 1, Economic Relief Association, for non-payment of assessments and dues, and hereby refer you to chapter 9, Section 6, Constitution and By-laws of said Association.

Yours very truly,

PH. BOMMER,
Supreme President

I also wish to notify you that the office of the Sup. Conclave of the Economic Relief Association and the office of the Supreme President is located at No. 1005 D. S. Morgan Bldg., where you will find me nearly all day, and I shall be pleased to give you any further information which you may seek for.

Hoping you will pay no attention to any further mail which you might receive from Mr. Runyon or Mr. Fleming, "Latter not being a member now," and records show that he never was, which I have in my possession, and that you will not be influenced by anything which they might wish to say to you in the future.

It has been decided by a great many members within the last few days that we will all stand together, and I will assure you that we will be in a position to present to the public in general a first class order.

Wishing you all abundant success, with kind regards and best wishes, I am,

Fraternally and sincerely yours,

PHILIP BOMMER,
Supreme President

P. S. Make all payments payable to the E. R. A. or P. Bommer Sup. Pres. and address P. Bommer, 1005 D. S. Morgan Building, Buffalo, N Y.

MY DEAR MRS. BOHN.—This letter was sent out to all Collectors and Presidents of each Conclave, and all members of Home Conclave received one. Kindly show this to Bro. Geo. Emewein and all others, if you wish.

With kind regards and best wishes. I am

Yours sincerely,

PHILIP BOMMER, S. P.

EXHIBIT F

ECONOMIC RELIEF ASSOCIATION

BUFFALO, N. Y. November 23, 1909.

DEAR SISTER.—At a meeting of the Board of Directors of the Economic Relief Association, held Monday, Nov. 22nd, 1909, at 1:30 P. M., at the office of the association the following action was taken:

WHEREAS, The Supreme President, Philip Bommer, has violated the Constitution and By-laws of the order in collecting and retaining funds of the order and refusing to turn them over to the Supreme Treasurer as required by the by-laws;

Therefore, Philip Bommer, be and is hereby declared to be suspended from acting as President of the Economic Relief Association and that George W. Morris be designated to act as Supreme President until further notice by the Board of Directors.

That all Conclaves be given notice of the above action, under the seal of the association, and that they be directed to make all payments to the Supreme Treasurer, as directed by the constitution and by-laws of the association.

You will please take notice and govern yourself according.

F. L. RUNYON,
Supreme Secretary

EXHIBIT G

TO THE SUPREME CONCLAVE OF THE ECONOMIC RELIEF ASSOCIATION

I, the undersigned, prefer charges against Frank L. Runyon, and as specifications thereon and the particulars of said charges I allege as follows:

1. That heretofore and before the making of these charges and for his own personal gain and advancement, he surreptitiously and maliciously sought to and took steps for the purpose of selling, assigning, transferring and making over the order and membership thereof and the property belonging thereto.

2. That heretofore and before the making of these charges by reason of his incompetent and unskilled and incorrect bookkeeping the Insurance Department of the State of New York criticised the condition of the Order.

3. That the said Frank L. Runyon is incompetent and unskilled in the work of bookkeeping and taking care of the books and accounts of the Order.

4. That the said Frank L. Runyon has failed to, neglected and has not devoted his entire time and efforts to the Order, but that in violation of his duties and obligations has been and is now engaged in furthering and advancing the interest of Orders employed in work similar to that of the Economic Relief Association.

5. That heretofore, and before the making of these charges, the said Frank L. Runyon has been and is now employed and working for the Bankers Life Insurance Company, and in the course of his employment has made and is making damaging, untruthful and malicious reports and statements of and concerning the Economic Relief Association.

6. That the said Frank L. Runyon feloniously misappropriated to his own use the books, properties and effects of the Economic Relief Association and refused access thereto to the officers.

7. That the said Frank L. Runyon has failed to, neglected and has not paid the honest and legitimate claims, demands and debts of the Economic Relief Association, but that he has wrongfully converted the properties, moneys and assets of the said Economic Relief Association to his own use and benefit.

8. That the said Frank L. Runyon has falsely and fraudulently rendered statements to the Economic Relief Association of moneys received by him for the benefit of the Economic Relief Association and has failed to credit such moneys, and has wrongfully and unlawfully misappropriated such moneys.

9. That the said Frank L. Runyon has neglected and failed to furnish and file with the office of the Economic Relief Association an itemized statement of his expense account as required and directed by the Supreme President of the Economic Relief Association.

10. That the said Frank L. Runyon has neglected to keep and maintain a correct record of the debts and incumbrances of the said Economic Relief

Association, and has neglected and failed to keep correct books of the transactions of the affairs of the Economic Relief Association.

11. That the said Frank L. Runyon has falsely and fraudulently misappropriated and converted to his own use moneys and properties of the said Economic Relief Association.

12. That heretofore and before the making of these charges and in or about the month of August 1909, the said Frank L. Runyon falsely and fraudulently misappropriated the sum of \$5.00 to his own use and benefit and falsely and fraudulently represented to the Order that he had paid and caused to be paid Edward F. Walsh, representing the United States Fidelity and Guaranty Company the sum of \$18.50, whereas in truth and in fact he paid said Walsh only the sum of \$13.50, and misappropriated the sum of \$5.00, properties of the Economic Relief Association, to his own use and benefit.

13. That further I charge that the said Frank L. Runyon has misappropriated the funds of this Order and wrongfully converted the same to his own use; that he has failed and neglected to perform the duties of his office as Secretary; is incompetent and incapable as a bookkeeper; has neglected and failed to devote his time to this Order; has worked against its interests and made statements in derogation thereof; has neglected and failed to pay the claims of the Order, has not made monthly reports of his expenses and other things as required and directed.

I would ask that a committee be appointed to consist of three members to take evidence upon these charges and I shall be glad to appear at such time and place as you may designate before this committee and offer you the proof, evidence and testimony concerning these charges hereinbefore named, and I pray that for the benefit and interest of this Order that the matter be speedily determined, and that upon these charges being established or any part thereof being found true, that the said Frank L. Runyon be removed from office as Supreme Secretary of this Order; that he be expelled from the order, and that he be required to return to this Order the moneys and properties he has misappropriated, and that such proceedings be had against him, both civil and criminal, looking to the enforcement of the laws of the State of New York, as may be deemed wise.

(Signed)

FRED B. HEILIG

Dated, November 22, 1909.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, December 14, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—I would respectfully report that, in accordance with your appointment No. 2304, hereto annexed, I have this day completed my examination into the affairs of the Economic Relief

Association of Buffalo, N. Y., a fraternal organization operating under the provisions of article VII of the Insurance Law.

Inasmuch as the association was examined in September of this year and a report made of its condition, as of September 13, 1909, and further, that at a hearing before the Superintendent of Insurance of New York State, held October 27, 1909, it was shown that a new system of bookkeeping had been installed, and the Supreme Secretary was notified by the Superintendent on that date, both orally and in writing, that the existence of the association depended upon accuracy of records and a careful segregation of beneficial funds, it would seem to be a very simple matter to bring the examination down to the afternoon of December 11, 1909, the time at which I presented my credentials.

From the books and records obtainable, the financial transactions seemed to have been as follows:

Cash in bank, as per Examiners' Report, dated September 27, 1909. \$31 82

INCOME

Receipts as per cash books:

Mortuary fund	\$553 89	
Sick and accident fund.....	98 52	
Funeral benefit fund.....	13 55	
General fund	11 99	
		<hr/>
		677 95
Total		<hr/>
		\$709 78

DISBURSEMENTS

As per cash book:

Sick and accident benefit.....	\$20 00	
General fund, rent, stenographer, traveling, advances, etc.	613 75	
		<hr/>
		633 75
Balance		<hr/>
		\$76 03

From the records in the office of the association, and such information as was obtainable, the condition of the association at the close of business on December 11, 1909, appears to have been as follows:

LEDGER ASSETS

Cash 0

NON-LEDGER ASSETS

Assessments actually collected and in the possession of subordinate conclaves, unknown, carried at.....	0
Total assets	0

LIABILITIES

Unpaid policy claims:

Death benefits	\$1,201 93	
Sick and accident benefits, estimated... ..	115 00	
Total policy claims.....	\$1,316 93	
Balance due P. Bommer.....	24 22	
Rent of offices.....	100 00	
Balance of bill for buttons (contracted in March, 1909)	57 00	
Telephone bill, estimated	18 00	
Printing bill, estimated.....	50 00	
Typewriter	25 00	
Lake Erie Excursion account.....	20 00	
Total liabilities	\$1,671 15	
Excess of liabilities.....	\$1,671 15	

It will be noted from the above that there are several explanations needed. While the cash book shows a balance of \$76.03, no balance was found by your examiner. At the hearing on the afternoon of December 11, 1909, the supreme secretary testified that \$24.46 was probably in the hands of the supreme treasurer, that he (the supreme secretary) had probably spent \$12 or \$14 for current expenses, and that probably there had been an error in the cash book receipts for September, whereby the \$31.83 was included in one of the items of receipts subsequent to September 13, 1909. This explanation still leaves \$5.74 unaccounted for. In the affidavit of the supreme treasurer, submitted herewith, it is stated that on the morning of Saturday, December 11, 1909, the supreme secretary had asked him for \$25 and that he had acceded to his request, so that this money was actually in the hands of the supreme secretary at the time of the giving of his testimony.

It will be noted also, in comparing the schedule of liabilities with those submitted in the last report and substantiated therein

by the joint affidavit of Supreme President Bommer and Supreme Secretary Runyon, that \$80 of rent and \$57 for buttons, were both liabilities as of September 13, 1909, and ignored by deponents.

Your examiner has taken no account of November assessments actually collected since there is no easy way of determining what has been paid to the collectors of the subordinate conclaves.

The largest sum possible is \$257.05, which figure is obtained by subtracting such sums as have been received in December from the gross amount of October assessments actually collected, on the assumption that none of the business has lapsed. The call to remit collections of assessments was issued from the office November 28, 1909, but the returns thus far have been meagre, the former supreme president reporting \$45.96 and the supreme secretary reporting \$23.82. The likelihood of any further receipts is lessened by the action of the postoffice authorities in refusing to deliver any more mail and by the uncertainty that seems to exist in the minds of the collectors of the subordinate conclaves, to which reference will be made below.

At the hearing in Albany, October 7, 1909, the supreme secretary was notified that he must keep the beneficial funds distinct and that "he must not use moneys to the credit of either of these funds for the purpose of disbursements in connection with any of the other funds." How little attention has been paid to this warning is evidenced by the following:

EXHIBIT OF FUNDS

	Mortuary	Sick and Accident	Funeral	General
Balance on hand September 13.....	.....	.....	.....	\$31 83
Received September 13-30.....	\$188 60	\$30 21	\$4 25	.....
Received October	261 34	54 56	3 75	11 99
Received November	84 03	11 75	3 65	.....
Received December	19 02	2 00	1 90	.....
Totals	\$553 89	\$98 52	\$13 55	\$43 82
Deduct 20 per cent. allowed by by- laws for expenses.....	110 78	19 70	2 71	.....
Balance	\$443 11	\$78 82	\$10 84	.....
Add by transfer as above.....	.....	.....	.....	\$133 19
				\$177 01

Disbursed		\$20 00		\$613 75
Beneficial funds to be accounted for	\$443 11	\$58 82	\$10 84	
Total				\$512 77

It will be noted that any misapplication of beneficial funds is a violation of section 236 of the Insurance Law, and that the supreme secretary was duly notified of this requirement October 27, 1909, if he was not aware of it before that date.

It further develops that on or about November 22d, 1909, the supreme president and the supreme secretary had a disagreement, each blaming the other for the condition of the records and finances and making charges against the integrity of the other. The president suspended the secretary, who retained the office and locked the president out. The president has rented the next office on the same floor, and has notified all conclaves to pay their money to him. A meeting of directors was called by the secretary, which suspended the president, electing a successor. A meeting of the Supreme Conclave has been called by the president to elect a new secretary. The various subordinate conclaves have been in receipt of communications from both sides of the controversy, and the members of the association are apparently perplexed, and, in the meantime, for the most part, withholding their assessments. In view of the fact that both officers have notified the postal authorities how to deliver the mail of the association, in accordance with the postal regulations the postmaster at Buffalo has notified the officers that he can no longer deliver any mail but must hold the same and if the controversy be not settled in a short time, return all letters to the senders. The controversy reached the police court stage on December 13, 1909, when one of the supreme officers was arrested on a warrant sworn out by another supreme officer.

Your examiner interviewed the former supreme president, taking his testimony, and canvassing his accounts. The papers and books of the former supreme president show:

REPORTS ON OFFICIAL EXAMINATIONS

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Balance on hand October 31, 1909.....		\$34 33
Collections during November.....	\$188 90	
Collections during December.....	45 96	
		<hr/> 234 86
Total receipts		\$269 19
Disbursements during November	\$136 16	
Disbursements during December.....	45 96	
		<hr/> 182 12
Balance		\$87 07
Applying this balance to the indebtedness of the association to the Supreme President, as reported September 27th...		<hr/> 111 29
Reduces the balance now due him to the sum of the amount carried by your examiner in the Schedule of Liabilities...		<hr/> <hr/> \$24 22

No attempt was made by your examiner to classify the above receipts by funds (and it is doubtful if any such attempt could be successful) nor to separate the disbursements, except as between beneficial payments and general fund expenses.

Accepting the amount of receipts as correct at \$234.86 and allowing 20 per cent. for management expenses, as permitted by the by-laws, there remains \$187.89 of beneficial funds to be accounted for against which there were disbursements amounting to \$48.07, leaving a balance of \$139.82 of beneficial funds which should not have been spent for any other purpose, according to the law of the State and the rules of the association. In his testimony, the supreme president admitted that he was conversant with the instructions given to the supreme secretary by the Superintendent of Insurance of New York State on October 27, 1909.

A study of the minute book shows that the salary of the supreme president was fixed at the sum of \$200 per month, dating from June 26, 1908, and "payable as the funds of the association will permit." The salary of the treasurer was fixed at \$1,500 per year, dated from September 1, 1908, with the same provision as above. The salary of the secretary was fixed at \$2,000 per year, dating from December 18, 1907, "with an increase the second year not to exceed \$1,000 per year." Practically none of these salaries have been paid and none are carried as liabilities of the association in the financial statement made above. In addition to these

salaries, the Supreme Conclave on September 2, 1908, passed a resolution to the effect "that the hiring of deputy organizers be left to the executive committee." The supreme secretary is chairman ex officio of the executive committee. As such, he made verbal agreements with sundry deputies. The agreement in substance was that the deputy should receive the membership fee, provided by the by-laws of the association; he should also receive one-half of the first nine monthly assessments; and if these should not be sufficient, he should receive an advance of \$12.50 per week until the commission should equal that sum. This contract is contrary to the Insurance Law, and the by-laws of the association. The largest amount that the by-laws provide to be deducted from the premiums for "the actual expenses of conducting the affairs of the association, including salaries of officers and employees, and compensation of its deputies and local assistants" is "20 per cent. of the gross amount of said premiums." It is true that chapter IX, section 9, of the by-laws also provides as follows: "Also any such portions of the first year's premiums as the supreme directors shall deem essential for the best interests of the association." There seems to be no record in the minutes of the supreme directors, taking such action unless it be included in the blanket provisions quoted above authorizing the executive committee to hire deputy organizers. At the present time one such deputy is drawing \$12.50 per week and looking for his salary to the former supreme president, and two such deputies were appointed by the supreme secretary on December 6, 1909. The \$25 referred to above as paid by the supreme treasurer on December 11th, and in the hands of the supreme secretary at the time of the hearing, December 11th, but concealed from the examiner, was used that night as a first payment to these two new deputies.

Since the controversy between the officers, the supreme secretary has secured the services of an expert accountant to investigate and report to him the receipts and disbursements from January 1, to October 31, 1909. A summary of these figures shows a receipt for the ten months of \$3,011.38, of which \$2,963.27 belonged originally to the beneficial fund. The summary further shows that of this sum \$2,224.47 were paid for travelling expenses and deputy advances, to say nothing of stenographer's

salary and office expenses, the amount actually paid for claims being only \$95. From which it will be seen that the association would not have been insolvent at the time of the present examination if it had retained any reasonable portion of its beneficial fund for the payment of claims. It is also evident that the supreme directors have not exercised sufficient care to see that the rules of the association were enforced or its interests conserved. Any attempt on their part has apparently been thwarted.

I submit herewith affidavits of Philip Bommer, Frank L. Runyon, Emmet Fleming and George W. Morris in substantiation of various statements made above in this report.

It would seem, therefore, that the affairs of this association are in a chaotic condition; that serious differences exist between certain of its officers; that it is substantially without funds with which to meet maturing obligations, to say nothing of its accumulated claims as hereinbefore mentioned, that generally its condition is such as to afford no hope of improvement; and that for these reasons, as well as the other reasons stated in this report, the further continuance in business of this association would be hazardous to its certificate holders and the public.

Respectfully submitted,

GEORGE E. TALMAGE,
Assistant Examiner

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 16th day of December 1909.

[L. s.]

ISAAC FULD,
Notary Public, New York County.

EXHIBITS

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:
CITY OF BUFFALO }

Phillip Bommer, being duly sworn, deposes and says that he is Supreme President of the Economic Relief Association of Buffalo, N. Y.; that he knows of no claims against the association other than the three death claims reported to the examiner of the Insurance Department and two other sick claims, amounting to approximately \$115, and no liabilities for unpaid bills other than those for buttons (the order having been given last March) and rent; and further as to his personal account against the association as referred to in the report of the last examination the same has been reduced from \$111.29 to \$24.22; but that he desires to add to the statement of his account that in his affidavit of September 20th, he omitted to refer to two notes of his amounting to \$150, which he will be compelled to pay if the Association does not keep its agreement.

PHILIP BOMMER.

Subscribed and sworn to before me,
this 13th day of December 1909.

A. M. PEARSALL,

Commissioner of Deeds, Buffalo, N. Y.

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:
CITY OF BUFFALO }

Frank L. Runyon, being duly sworn, deposes and says that he is Supreme Secretary of the Economic Relief Association of Buffalo, N. Y.; that he has no money in hand belonging to the Association; that he knows of no liabilities of the Association other than the three death claims reported to the examiner of the Insurance Department and six bills, for rent, buttons, printing, Lake Erie excursion, typewriter, and telephone charges, amounting to \$330.

F. L. RUNYON.

Subscribed and sworn to before me,
this 13th day of December 1909.

JOHN J. SULLIVAN,

Notary Public, Erie County.

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:
CITY OF BUFFALO }

Emmet Fleming, being duly sworn, deposes and says that he is the Supreme Treasurer of the Economic Relief Association of Buffalo; that by the laws of the Association all moneys should be paid to him, deposited by him in the bank and disbursed by check; that with the exception of about two months of this year he has been unable to have his wishes carried out and the money so paid to him; that at the present time he has no money in hand belonging to the Association, the last amount in his charge having been paid over by him to the Supreme Secretary on Saturday morning, December 11, 1909.

EMMET FLEMING.

Subscribed and sworn to before me,
this 13th day of December 1909.

JAS. M. CARTER,
Notary Public, Erie County.

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:
CITY OF BUFFALO }

George W. Morris, being duly sworn, deposes and says that he is acting Supreme President of the Economic Relief Association of Buffalo; that as such he has performed no duties except to sign a few certificates of membership and that he is not familiar with the workings of the Association, his position having been an inferior one until his recent appointment as acting president.

GEORGE W. MORRIS.

Subscribed and sworn to before me,
this 13th day of December 1909.

EDWARD F. CALLAHAN,
Commissioner of Deeds in and for City of Buffalo, N. Y.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *September 28, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Pursuant to instructions contained in your appointment No. 2195, hereto annexed, we have completed an examination into the condition and affairs of the Workmen's Sick and Death Benefit Fund of the United States of America, and respectfully report thereon as follows:

This society was organized October 19, 1884, and duly incorporated as a fraternal beneficiary order under Article VII of the Insurance Law on February 13, 1899.

This examination was made as of August 31, 1909, on which date, the financial condition of the Society was found to be as follows:

ASSETS

Ledger Assets

Mortgage loans on real estate (first liens).....	\$247,350 00
Cash in office	71 25
Cash in banks and trust companies.....	39,565 10
Cash in hands of subordinate branch treasurers.....	63,909 81
Total	<u>\$350,896 16</u>

Non-Ledger Assets

Interest accrued on mortgage loans.....	3,306 93
Total assets	<u><u>\$354,203 09</u></u>

LIABILITIES

Death claims due and unpaid.....	\$14,658 26
Death claims reported but not yet adjusted (4).....	1,000 00
Unpaid sick benefits (2).....	898 50
Total liabilities	<u>\$16,556 76</u>
Surplus over all liabilities.....	<u><u>\$337,646 33</u></u>

The income and disbursements from January 1, 1909, to August 31, 1909, were as follows:

INCOME

Assessments (for Mortuary Fund).....	\$76,785 22	
Assessments (for Sick and Accident Fund)....	184,062 77	
Assessments (for Expense Fund).....	16,354 98	
Initiation fees	8,335 00	
Membership books, certificates and fines.....	1,137 15	
Sick benefits returned by members.....	14 60	
	<hr/>	
Gross total paid by members.....	\$286,689 72	
Deduct payments returned to members.....	36 20	
	<hr/>	
Total paid by members, net.....		\$286,653 52
Interest		8,950 90
Sale of lodge supplies.....		4 15
Advertisements in official publications.....		218 06
Deposit for mortgage appraisals.....		37 76
Investigation expenses		45 83
		<hr/>
Total income		\$295,910 22
Balance (ledger assets) December 31, 1908.....		324,175 53
		<hr/>
Total ..		<u>\$620,085 75</u>

DISBURSEMENTS

Death claims	\$73,100 00
Sick benefits	181,290 25
Advertising, printing and stationery.....	1,213 43
Postage, express, telephone and telegraph.....	608 28
Legal fees	611 10
Salaries of officers	1,339 33
Salaries of employees	2,399 89
Salaries and compensation of committees.....	948 15
Rent ..	750 00
Supreme medical examiner's fees.....	29 42
Insurance department fees.....	15 00
Official publication	5,844 27
Supreme lodge meeting, annual convention.....	736 24
Furniture and fixtures.....	55 34
Gas and electric light.....	23 66
All other disbursements.....	225 18
	<hr/>
Total disbursements	<u>\$269,189 59</u>
Balance August 31, 1909.....	<u>\$350,896 16</u>

Your examiners have carried as an asset the sum of \$63,909.81, cash in hands of subordinate branch treasurers, as under a ruling of the department, dated at Albany, N. Y., August 31, 1909; this item was admitted as an asset in the annual statement of December 31, 1908.

Sections 10 and 11, Article XVII of the constitution of this society provide that —

“Branches shall send to the National Executive Board with every quarterly report all moneys in their hands in excess of an amount equal to \$1.50 per member of the First Class and \$1.00 per member of the Second Class. In case a Branch does not have on hand the foregoing amounts, the Board shall transmit to such Branch a sum sufficient to cover the shortage as shown by said quarterly report.”

“Should the funds under the control of a Branch be insufficient to meet its obligations, the National Executive Board shall, upon request, transmit the amount needed.”

Section 5, Article XIII of the Constitution which also treats of such funds, reads as follows:

“Should a condition arise (Epidemics, public calamities, etc.) which may endanger the existence of the Society, the National Executive Board, in conjunction with the Control Committee shall have the right to call in from the Branches all funds not needed for local purposes.”

This section seems to nullify, under certain conditions, the control which the Grand Lodge may have over the funds of the Society, as in the event of contingencies arising (epidemics, public calamities, etc.), which might endanger the existence of the society, the executive board is empowered in conjunction with the control committee to call in from subordinate branches all funds *not needed for local purposes*. Should all funds held by subordinate branches be needed for local purposes, the disposition of same rests with the subordinate branches, the Grand Lodge exercising no control over said fund whatsoever.

Your attention is called to the facts as set forth above and to the provisions of the quoted sections of the society's constitution as having particular bearing on the question of the control of the funds in possession of the subordinate branches.

The subordinate branches report to the Grand Lodge on the last day of each month, giving account of all receipts and disbursements together with vouchers for moneys paid for sick and death benefits and other expenses. The balance on hand in each branch is shown in such reports.

These reports were checked by us into the books of the Grand Lodge but further verification is impossible except by personal examination of the books of each subordinate branch.

We desire to further call your attention to the matter of the fund above referred to, in that the Grand Lodge has no knowledge of its being in the hands of the subordinate lodge treasurers, other than by information contained in the reports furnished by such subordinate branches. We were informed by Mr. William Meyer, secretary of the Grand Lodge, that this fund is in many instances composed of cash in hands of subordinate treasurers and that he has no means of knowing what amount thereof, if any, is on deposit in bank.

Your examiners would suggest that if subordinate branch treasurers were called upon to keep the funds in bank and pay claims by check, the Grand Lodge would then be in a position to verify reports of such treasurers by obtaining certificates from the various banks, at any time.

The sum of \$898.50 in the schedule of liabilities represents sick benefits due and unpaid to two members who have become mentally incompetent, and who have made no arrangement as to the disposition of such benefits. This amount will never increase as both members have reached the limit of benefit for sickness, but on the contrary will be decreased each quarter, as assessments and dues will be deducted therefrom. At the death of these two members the amounts due them will be paid into their estates.

Membership, Assessments and Benefits

At date of this examination the records showed the society to consist of 254 branches or lodges comprising a membership of 42,338, classified as follows: First class, 34,412; second class, 787; and third class, 7,139 members. The society insures persons between the ages of 18 and 45 years inclusive.

The assessments are levied monthly and the rate is the same

for all members in the same class, regardless of age; the assessment rates for first class members is \$1.00, second class 75 cents and third class 25 cents and is apportioned to the different funds as follows: First class, Mortuary 24 cents; Sick and Accident 70 cents; expense 6 cents. Second class, Mortuary 24 cents; Sick and Accident 45 cents; expense 6 cents. Third class, Mortuary 24 cents and expense 1 cent.

The amount paid for death benefit in each class is the same; namely, \$250.00 for each death.

Members of the first class are entitled to a weekly sick benefit of \$9.00 for forty weeks, and thereafter \$4.50 per week for the next forty weeks, making a maximum amount of \$540.00; while members of the second class are entitled to a weekly sick benefit of \$6.00 for forty weeks and thereafter \$3.00 per week for the next forty weeks, or a maximum amount of \$360.00. Members of the third class, which consists of women only, receive no sick benefits.

The society has no general ledger and with slight exception the books of account are written in the German language. We would respectfully advise that the society be called upon to procure a ledger and revise its bookkeeping system and have in its possession complete records of all transactions written in the English language.

The following is a list of officers of the National Executive Board (Grand Lodge) together with the compensation they receive:

President, Paul Flaschel, no salary.

Financial Secretary, William Meyer, \$1,040.00 per annum.

Treasurer, Stephen Bacher, \$936.00 per annum.

Annexed hereto is a copy of application for membership and a death benefit certificate issued by the society.

Respectfully submitted,

ADRIEN S. MARTIN,

CLARENCE J. NOERTON,

Assistant Examiners

STATE OF NEW YORK,
CITY AND COUNTY OF NEW YORK. } ss.:

Adrien S. Martin and Clarence J. Norton being duly sworn depose and say that the foregoing report subscribed by them is true to the best of their knowledge and belief.

ADRIEN S. MARTIN

CLARENCE J. NORTON

Subscribed and sworn to before me this
29th day of September, 1909.

[L. S.] ISAAC FULD,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *September 30, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under authority of appointment No. 2238, dated September 11, 1909, and annexed hereto, I have completed an examination of the Harmonia Mutual Fire Insurance Company of Buffalo, N. Y.

This company was organized in July, 1877, and at that time and until 1892 issued only membership certificates. On July 27, 1892, it incorporated under the Insurance Law (chapter 690, Laws of 1892) as a mutual fire insurance corporation.

The policies issued are for terms of one, three and five years. One and three year policies are issued in consideration of a cash premium. Five year policies are issued in consideration of a premium, twenty per cent. (20%) of which is paid in cash and a demand note given for the balance. These are deposit notes which may be assessed at any time within the period given for the payment of losses and expenses.

I find the condition of the company on August 31, 1909, to have been as follows:

LEDGER ASSETS

Mortgage loans	\$109,415 00
Deposited in banks and trust companies.....	52,537 49
Cash in office	318 58
Total ledger assets	<u>\$162,271 07</u>

Non-Ledger Assets

Interest accrued	1,226 63
Gross assets	<u>\$163,497 70</u>

Deduct Assets not Admitted

Balance of deposit with the German Bank of Buffalo.....	4,547 47
Total admitted assets.....	<u><u>\$158,950 23</u></u>

LIABILITIES

Unpaid losses	\$681 61
Unearned premiums, one year.....	698 50
Unearned premiums, term.....	10,964 20
Liabilities except surplus	\$12,344 31
Surplus to policyholders	146,605 92
Total liabilities	<u><u>\$158,950 23</u></u>

The income and disbursements from January 1, 1909, to August 31, 1909, were as follows:

Balance December 31, 1908 (per company's records)	\$157,574 82
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INCOME

Premiums	\$7,301 92
Interest on bonds and mortgages.....	3,427 46
Interest on bank deposits.....	855 36
Salvage	28 50
Total income	<u>11,613 24</u>
	<u>\$169,188 06</u>

DISBURSEMENTS

Losses	\$3,128 34
Commissions	367 97
Rent	320 00

Directors fees	\$1,062 00	
Salaries	-1,320 00	
Taxes	287 65	
Return premiums	56 23	
Printing and stationery.....	90 75	
Miscellaneous	284 05	
		<hr/>
Total disbursements		\$6,916 99
		<hr/>
Balance (ledger assets) August 31, 1909.....		\$162,271 07
		<hr/>

From the assets I have deducted \$4,547.47, the balance of the company's deposit in the German Bank of Buffalo. This bank is in the hands of receivers and it is not expected that further payments will be made on this account.

A list of the capital stock notes as prepared, and certified to under oath by Secretary John G. Klein, is filed with the papers of this examination. The total amount of said notes aggregates \$83,783.62.

The salaries and emoluments are as follows:

President	\$25 00 per month
Vice-President	12 00 per month
Treasurer	7 00 per month
Secretary	125 00 per month
3 Directors on Finance Committee.....	10 00 per month
3 Directors on Loss Committee.....	10 00 per month
6 Directors	7 00 per month

I file with the papers of this report a copy of the charter and by-laws, the policy form, and premium note.

Respectfully submitted,

RICHARD A. ELMER,
Assistant Examiner

STATE OF NEW YORK, }
COUNTY OF NEW YORK. } ss.:

Richard A. Elmer being duly sworn deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

RICHARD A. ELMER

Subscribed and sworn to before me this
26th day of October, 1909.

KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, October 6, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under authority of appointment No. 2239, dated September 11, 1909, and annexed hereto, we have completed an examination of the Union Fire Insurance Company of Buffalo, New York, a stock fire insurance corporation.

We find the condition of the company on July 31, 1909, to have been as follows:

LEDGER ASSETS

Mortgage loans	\$70,025 00
Bonds and stocks (book value)	286,585 40
Cash in bank	72,669 42
Cash in office	5,731 00
Agents balances within three months	45,043 44
Agents balances over three months	14,362 89
Total ledger assets	<u>\$494,417 15</u>

Non-Ledger Assets

Interest due and accrued on mortgages	1,110 43
Interest due and accrued on bonds	2,723 39
Interest due and accrued on bank deposits	199 85
Gross assets	<u>\$498,450 82</u>

Deduct Assets not Admitted

Agents balances over three months	\$14,362 89
Book value of bonds and stocks over market value	3,772 29
Total admitted assets	<u>18,135 18</u>
Total admitted assets	<u><u>\$480,315 64</u></u>

LIABILITIES

Unpaid losses:	
Unadjusted	\$3,840 49
Adjusted	26,084 66
Total unpaid losses	<u>\$29,925 15</u>

Unearned premiums:

One year	\$114,575 62
Term	114,569 80
Reinsurance due	2,681 61
Accrued state taxes on premiums (estimated)	3,000 00
Salaries, rents, etc. due and accrued	189 49

Liabilities, except capital	\$264,941 67
Capital ..	\$200,000 00
Surplus ..	15,373 97

Surplus to policyholders	215,373 97
--------------------------------	------------

Total liabilities	\$480,315 64
-------------------------	--------------

The income and disbursements from January 1, 1909, to July 31, 1909, were as follows:

Balance December 31, 1908	\$495,205 23
---------------------------------	--------------

INCOME

Premiums ..	\$196,865 46
Interest ..	11,487 58
Profit on sale of bonds	1,225 00

Total income	209,578 04
--------------------	------------

Total ..	\$704,783 27
----------	--------------

DISBURSEMENTS

Losses paid	\$107,583 71
Commissions ..	48,610 14
Expenses ..	4,006 90
Adjusting ..	765 28
Reinsurance (net)	21,061 97
Taxes ..	6,050 13
Salaries ..	13,490 56
Printing and stationery	691 13
Traveling ..	1,783 83
Maps ..	243 67
Dividends ..	6,000 00
Furniture and fixtures	78 80

Total disbursements	210,366 12
---------------------------	------------

Balance (ledger assets July 31, 1909)	\$494,417 15
---	--------------

Assets

The mortgages and securities were examined and counted and a schedule of bonds and stocks owned is attached to this report. This schedule gives a total market valuation of \$282,813.11, which is a decrease of \$3,772.29 from the book value. The cash in bank was verified by bank certificates and the cash in office checked. We have deducted from the assets the sum of \$14,362.89 as being agents' balances over three months due. Of this amount, however, \$6,063.31 had been collected before the conclusion of the examination.

Liabilities

The record of the losses and claims for losses is kept by a card system, the company having in its possession no record of unpaid losses in permanent form. These unpaid losses we ascertained to be \$29,925.15. This amount could not be verified from any other source, and we therefore required the secretary of the company to make an affidavit stating that on July 31, 1909, the unpaid and unadjusted losses amounted to \$29,925.15, and that this amount included all losses of which the company or its officers have any knowledge or of which they have received any notice.

Loss in Surplus

The experience of the company for the last few years has been unfavorable as shown in the decrease in surplus from December 31, 1906, to July 31, 1909:

December 31, 1906.....	\$112,734 76
December 31, 1907.....	92,756 48
December 31, 1908.....	60,104 00
July 31, 1909.....	15,373 97

An abnormal fire loss is mainly responsible for this decrease. Notwithstanding this steady decrease, the directors of the company have continued to declare a semi-annual dividend of 3 per cent. on the capital stock amounting to \$12,000 per annum. We are informed by the secretary that no action has been taken by the directors toward a declaration of dividends since the dividend payment of February 1, 1909.

The underwriting and investment exhibit recently adopted by the National Convention of Insurance Commissioners was applied and gave the following results for the first seven months of 1909:

REPORTS ON OFFICIAL EXAMINATIONS

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Loss from underwriting.....	\$46,686 38
Loss from dividends.....	6,000 00
	<hr/>
	\$52,686 38
Gain from investments.....	7,956 35
	<hr/>
Net loss in surplus.....	<u>\$44,730 03</u>

Respectfully submitted,

RICHARD A. ELMER,

SAMUEL DEUTSCHBERGER,

Assistant Examiners

EXHIBIT

SCHEDULE OF BONDS AND STOCKS OWNED BY THE UNION FIRE INSURANCE COMPANY JULY 31, 1909

Bonds:	Par value	Original cost	Market value
U. S. Consols 2s reg 1930.....	\$5,000 00	\$5,000 00	\$5,050 00
U. S. Consols 3s coupons 1918.....	11,000 00	11,000 00	11,200 00
Buffalo, N. Y. water ref 1932..	3,333 34	10,215 00	3,133 34
Buffalo, N. Y. water ref 1931..	3,333 33		3,133 33
Buffalo, N. Y. water ref 1930..	3,333 33		3,133 33
Buffalo, N. Y. reg ref 1914....	5,000 00	25,000 00	4,900 00
Buffalo, N. Y. reg ref 1913....	5,000 00		4,900 00
Buffalo, N. Y. reg ref 1912....	5,000 00		4,950 00
Buffalo, N. Y. reg ref 1911....	5,000 00		4,950 00
Buffalo, N. Y. reg ref 1910....	5,000 00		5,000 00
Buffalo City cons school 1910..	7,500 00	7,631 25	7,500 00
N. Y. City gold coupons 1954..	50,000 00	51,500 00	45,500 00
N. Y. City gold reg 1953.....	10,000 00	10,050 00	9,100 00
Aurora Elgin & Chi 1st mtg coup 1941	10,000 00	9,950 00	10,100 00
Buffalo Crosstown Ry coup 1932.	5,000 00	5,000 00	5,350 00
International Traction gold coup 1949	5,000 00	3,975 00	3,550 00
Iowa Central Ry coup 1951...	10,000 00	7,250 00	7,900 00
Lockport & Olcott Ry 1st mtg coup 1920.....	5,000 00	5,125 00	5,050 00
Niagara Gorge Ry 1st mtg coup 1927	10,000 00	8,600 00	9,000 00
N. Y. C. & H. R. R. R. Co coup 1997	10,000 00	9,337 50	9,200 00
Penna R. R. Co conv coup 1915.	10,000 00	9,400 00	9,700 00
Binghamton R. R. Co coup 1931.	10,000 00	9,800 00	10,100 00
Southern Pacific coup 1955....	10,000 00	9,500 00	9,500 00
International Trac coup 1949..	5,000 00	3,462 50	3,550 00
Cataract P. & Conduit coup 1927	10,000 00	10,000 00	10,100 00

	Par value	Original cost	Market value
N. Y. State Steel coup 1936..	\$25,000 00	\$21,250 00	\$18,750 00
Niagara Falls Hyd Power & Mfg Co coup 1917.....	10,000 00	10,000 00	10,000 00
Niagara Falls Power Co gold coup 1910	5,000 00	4,775 00	5,050 00
Niagara Falls Power Co. 1st mtg coup 1932.....	5,000 00	4,675 00	5,050 00
St. Louis Rocky Mt & Pac coup 1935	5,000 00	4,775 00	4,250 00
Lackawanna Steel Co coup 1923.	5,000 00	4,906 25	4,850 00
Niagara Falls Power Co gold deb coup 1910.....	5,000 00	4,625 00	5,050 00
Niagara Falls Power Co 1st mtg coup 1932	5,000 00	4,637 50	5,050 00
New York State Steel Co scrip.	444 15	.....	333 11
<i>Stocks:</i>			
Cataract Power & Conduit....	5,000 00	4,912 50	4,900 00
Buffalo General Electric Co....	14,000 00	9,435 00	13,860 00
Western Adjustment & Insp Co.	100 00	150 00	100 00
	<u>\$302,600 00</u>	<u>\$285,937 50</u>	<u>\$282,813 11</u>

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Richard A. Elmer and Samuel Deutschberger, being duly sworn, depose and say that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

RICHARD A. ELMER,
SAMUEL DEUTSCHBERGER.

Subscribed and sworn to before me this
6th day of October, 1909.

[L. s.] ISAAC FULD,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, October 7, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—In accordance with instructions contained in your ap-

pointment No. 2245, under date of September 20, 1909, hereto attached, I have made an examination of the condition and affairs of the International Fire Office of New York, an aggregation of individual underwriters known as Lloyds, and respectfully submit the following report thereon.

This examination was made as of September 30, 1909, on which date the financial condition of the association was found to be as follows:

ASSETS

Cash in office.....	\$52 69
Cash in bank.....	25 06
Uncollected premiums covering business written within three months, less commission thereon.....	2,744 59
Aggregate assets	\$2,822 34

LIABILITIES

Unpaid fire losses:	
Claims against former underwriters.....	\$1,341 25
Claims against present underwriters.....	335 00
Total unpaid fire losses.....	\$1,676 25
Unearned premiums:	
On one year risks.....	\$5,463 43
On term risks	38 39
Total unearned premiums.....	5,501 82
Due for return premiums.....	161 96
Underwriting commission due to Charles F. Mitchell, as attorney in fact.....	85 60
Sundry unpaid bills.....	134 25
Taxes on premiums accrued (estimated).....	80 00
Total liabilities	\$7,639 88
Impairment of reserve fund.....	\$4,817 54

In addition to the assets listed above, the association has a claim for money advanced in the sum of \$651.14 against the Garfield Assurance Fire Lloyds. No credit was allowed for this item for the reason that a recent examination of the Garfield Assurance Fire Lloyds has shown its condition to be such that an application to take possession of its property is now pending before the Supreme Court.

The sum of \$1,341.25 carried in the schedule of liabilities on account of unpaid fire losses represents two judgments in the sum of \$400 and \$941.25 respectively obtained against Charles F. Mitchell as attorney for former underwriters of the association.

Your examiner called at the office of Mr. Samuel Milch, the original attorney of the association for information relative to the amount of business written by the association prior to October 1, 1892. Mr. Milch informed me that on account of the length of time which had elapsed, he had no definite recollection of the matter in question.

Mr. Charles F. Mitchell, the attorney in fact, receives in lieu of salary an underwriting commission of 15 per cent. on the net amount of premiums written. Such commission will amount approximately to the sum of \$1,600 for the year 1909.

The names and addresses of the present underwriters, each assuming a maximum liability of \$5,000, are as follows:

Samuel Ameone, 42 West Thirty-third street, New York.

Joseph Flynn, 132 Nassau street, New York.

J. Rosenthal, 1493 Lexington avenue, New York.

G. Pendreigh, 44 Court street, Brooklyn.

Jacob Amion, 42 West Thirty-third street, New York.

Samuel Rosenthal, 111 East Broadway, New York.

Samuel J. Block, 116 East Broadway, New York.

L. B. Koch, 56 Pine street, New York.

Charles F. Mitchell, 56 Pine street, New York.

Respectfully submitted,

ISAAC FULD,

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Isaac Fuld, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

ISAAC FULD

Subscribed and sworn to before me
this 7th day of October, 1909.

[I. S.]

KATE CAHILL,

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *October 9, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—In accordance with your directions as contained in appointment No. 2192, hereto annexed, I have made an examination of the Order of Saturn of Buffalo, New York, a fraternal beneficiary society incorporated and doing business under the provisions of article VII of the Insurance Law. As a result I hereby report the condition of the said order on September 15, 1909, to have been as follows:

LEDGER ASSETS

Cash in banks	\$2,697 34	
Cash in office	108 49	
Total ledger assets.....		\$2,805 83

NON-LEDGER ASSETS

Assessments in hands of collectors not paid in office.....	98 07	
Total assets		\$2,903 90

LIABILITIES

Death claims:

Approved and due.....	\$500 00	
In suit	1,000 00	
Miscellaneous items	18 50	
Assessments paid in advance.....	8 76	

Total liabilities	1,527 26	
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Balance (surplus September 15, 1909).....	\$1,376 64	
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Income and Disbursements

A statement of the income and disbursements from January 1, 1909, to September 15, 1909 inclusive is as follows:

Balance ledger assets, January 1, 1909.....	\$3,035 10
---	------------

INCOME

Assessments and fees:

Mortuary fund	\$744 43
General fund	782 72
Sick and accident	181 90

Total income from members	\$1,709 05
Donation	66 00
Interest	50 85
Miscellaneous	8 04

Total income	\$1,833 94
------------------------	------------

Total	\$4,869 04
-----------------	------------

DISBURSEMENTS

Death benefit	\$500 00
Sick and accident benefits	126 00

Total paid to members	\$626 00
Salaries of secretary and employee	872 50
Commissions	234 25
Rent	132 00
Office supplies, traveling, printing, medical examinations, miscellaneous	198 46

Total expense of management	\$1,437 21
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Total disbursements	2,063 21
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Balance ledger assets September 15, 1909	\$2,805 83
--	------------

Statement of Funds

The following is a statement of the funds of this order, showing income and disbursements of each from January 1, 1909 to September 15, 1909, inclusive:

MORTUARY FUND

Balance January 1, 1909	\$3,000 39
-----------------------------------	------------

Income

Assessments	\$744 43
Interest	50 85

Total income	795 28
------------------------	--------

Total	\$3,795 67
-----------------	------------

Disbursements

Death benefit	\$500 00	
Transfer to general fund	580 45	
		<hr/>
Total disbursements		\$1,080 45
		<hr/>
Balance September 15, 1909		\$2,715 22
		<hr/> <hr/>

GENERAL FUND

Balance January 1, 1909		Nil
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Income

Assessments and fees	\$782 72	
Transfer from mortuary fund	580 45	
Miscellaneous	74 04	
		<hr/>
Total income		\$1,437 21
		<hr/> <hr/>

Disbursements

General expenses		\$1,437 21
		<hr/> <hr/>
Balance September 15, 1909		Nil
		<hr/> <hr/>

SICK AND ACCIDENT FUND

Balance January 1, 1909		\$34 71
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Income

Assessments		181 90
		<hr/>
Total		\$216 61
		<hr/> <hr/>

Disbursements

Sick and accident claims		126 00
		<hr/>
Balance September 15, 1909		\$90 61
		<hr/> <hr/>

RECAPITULATION

Balance Mortuary Fund, September 15, 1909	\$2,715 22	
Balance General Fund, September 15, 1909	Nil	
Balance Sick and Accident Fund, September 15, 1909	90 61	
		<hr/>
Total (ledger assets)		\$2,805 83
		<hr/> <hr/>

Organization, Rates and Membership

This order commenced business January 15, 1907. It issues certificates for a sum not exceeding \$3,000. The assessments are

collected monthly and are based on rates according to age. On date of this examination, there were eight subordinate lodges with a total membership of 238.

Funds

The funds of this order now in use are the mortuary, general and sick and accident fund. The latter is not included in the order's annual statement to the Insurance Department. It is small and the officers do not deem it necessary to include it in the regular business.

Under the constitution and by-laws, the general fund is maintained by fees, sale of supplies and the first twelve monthly assessments, together with an amount not exceeding 25 per cent. of all subsequent monthly assessments. However, the amount of income so appropriated for this fund has not been sufficient to meet the ordinary expenses incurred and consequently the order has been obliged to borrow from the mortuary fund. The total amount of the mortuary fund used for general expenses from January 1, 1909, to the date of this examination was \$580.45, and the amount so used during the year of 1908 was \$2,180.65.

This appears to be a violation of section 236 of the Insurance Law, which provides in part as follows:

"It shall not, nor shall any officer thereof, use any money collected or received for the payment of beneficiary claims for any other purpose."

Expense of Management

The expenses of management are not large of themselves. The secretary is the only officer receiving any salary, which is only \$10 per week, and it does not appear that the order is spending money extravagantly or unnecessarily. However, the aggregate disbursements for expense of management for the period of this examination are approximately 84 per cent. of the income from members for the same period.

Donation

The item in the income "Donation \$66" is a refund for rent donated by the president, of whom the offices of the order are

leased. This item was included in both income and disbursements in the above statement.

Filed with this report are copies of benefit certificates now being issued and a copy of the constitution and by-laws.

Respectfully submitted,

JOHN E. DIEFENDORF,

Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

John E. Diefendorf, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

JOHN E. DIEFENDORF.

Subscribed and sworn to before me
this 8th day of October, 1909.

[L. s.]

KATE F. CAHILL,

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *October 12, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—In accordance with instructions contained in your letter dated at Albany, N. Y., October 11, 1909, *in re* Workmen's Sick and Death Benefit Fund of the United States of America, I called at the office of the above society on this date for the purpose of ascertaining the experience of the society in the various classes of which the membership is composed.

I beg to submit the following as a supplemental statement to report dated September 28, 1909, showing the receipts and disbursements of each class from September 1, 1908 to August 31, 1909.

RECEIPTS

Assessments and initiation fees:

First class	\$397,464 40
Second class	6,492 75
Third class	19,632 25
Total	<u>\$423,589 40</u>

DISBURSEMENTS

First class:

Sick benefits	\$258,205 64
Death benefits	86,144 05
	<u>\$344,349 69</u>

Second class:

Sick benefits	\$3,965 25
Death benefits	1,500 00
	<u>5,465 25</u>

Third class:

Death benefits	10,600 00
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Total	<u>\$360,414 94</u>
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Excess of receipts over disbursements	<u>\$63,174 46</u>
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It will be seen from the foregoing statement of receipts and disbursements that the assessments in the various classes are sufficient to meet all calls which have been made for benefit disbursements, and that there is no necessity for calling on any fund of any particular class to pay benefits in any other class.

The proportion of assessments applicable to the payment of expenses is set forth in the report of examination dated September 28, 1909. The excess of receipts over benefit disbursements in each class exceeds the total expense portion of assessments for such class. The total collection for expenses was found to be more than sufficient for expenses incurred. The books of the society, however, do not indicate a division of expense payments applicable to each class.

Respectfully submitted,

ADRIEN S. MARTIN,

Assistant Examiner.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK, *October 14, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—Acting under your appointment No. 2235, attached hereto, I recently endeavored to make an examination of the Buffalo Co-operative Live Stock Insurance Company, formerly of Buffalo, New York, an organization incorporated under the provisions of article VIII of the Insurance Law of this State, but I was informed at the said company's branch office located at 582 Ellicott Square, Buffalo, N. Y., by the manager, Mr. C. F. McLelland, that the principal office of this company has been removed to Erie, Pa., and that the office maintained in Buffalo is merely a branch office.

He further stated that all the assets, books, records and affairs of the said company, other than those connected exclusively with the business of the Buffalo branch, are in the principal office at Erie, Pa.; that all applications for insurance are filed in, and all certificates or policies are issued from the latter place.

He further stated that he has been in charge of the Buffalo branch since January 1, 1909, and that the cash collected through this branch is deposited in a Buffalo bank, but drawn against by the officers at Erie, Pa.; also all mail received for the company at the Buffalo office is forwarded to the principal office at Erie, Pa.

It appears from the foregoing that nothing but branch offices of the aforementioned company are being maintained within the State of New York, and if an examination is to be made, the assets, books, records, etc., must either be returned to this state or else the examination be conducted at the company's office in Erie, Pa.

The names of the officers are as follows: Guy H. Fox, president; Geo. B. Swaney, vice-president; Geo. W. Evans, secretary and treasurer.

Respectfully submitted,

JOHN E. DIEFENDORF,

Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

John E. Diefendorf, being duly sworn, deposes and says that the foregoing report, subscribed by him is true to the best of his knowledge and belief.

JOHN E. DIEFENDORF.

Subscribed and sworn to before me
this 14th day of October, 1909.

[L. S.] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT
NEW YORK OFFICE, 165 BROADWAY
NEW YORK, November 15, 1909

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In pursuance of your appointment No. 2192, hereto annexed, I have made an examination of the condition and affairs of the Ilicians' Auxiliary of Brooklyn, N. Y. (now located at 206 Broadway, New York City), a fraternal beneficiary society operating under the provisions of article VII of the Insurance Law, and respectfully submit the following report thereon. This examination was made as of September 30, 1909, on which date the financial condition of said society was as follows:

ASSETS	
Cash in bank	\$19 27
LIABILITIES	
Unpaid death claims (see page 4)	700 00
Excess of liabilities over assets	<u>\$680 73</u>

The income and disbursements from January 1, 1909 to September 30, 1909, as shown by the society's records, were as follows:

Balance, December 31, 1908, as per society's records	\$205 98
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INCOME

Mortuary	\$24 54	
Indemnity	75 66	
Expense	83 86	
Donations by officers	107 00	
		<hr/>
Total income		\$291 06
		<hr/>
Total		\$497 04
		<hr/>

DISBURSEMENTS

Indemnity claim	\$142 86	
Cash paid for surrendered policies	114 13	
Commissions	67 52	
Rent	36 00	
Clerk hire	82 00	
Postage	4 07	
Miscellaneous	31 19	
		<hr/>
Total disbursements		\$477 77
		<hr/>
Balance ledger assets, September 30, 1909		\$19 27
		<hr/>

The society was incorporated January 11, 1906 and at the date of this examination, four (4) policies were in force, carrying weekly benefits in case of sickness or accident only, all others having lapsed or been canceled. No policies have been issued since April 9, 1909, and the business of the society is practically at a standstill.

I found that the disbursements from January 1, 1909, to date of this examination, as they appear on the cash book, exceeded the amount of cash on hand January 1, 1909, plus the income received from members for the above stated period. In explanation of this, I was informed by the president that he had at different times advanced money to the society from his private funds to pay certain claims or expenses. These payments were entered as disbursements on the record but the equivalent does not appear to have been entered in the income. Consequently, I have included in the above statement as such income, the sum of \$107, the amount necessary to reconcile the cash balance on hand of \$19.27, entering the item as "donations by officers."

Attached to this report is an affidavit of the president, F. P. Dunn, in which he states that there were no claims or liabilities of any nature standing against the society on date of this ex-

amination, and also in relation to the number of certificates in force on said date.

I found that the officers of the society at different times transferred the funds from one account to another and as a result the Mortuary and Indemnity funds (the latter being the sick and accident fund) were at the time of this examination depleted, a considerable portion from each of these funds having been transferred to the expense fund and used for general expenses.

Ilic Brotherhood

This auxiliary is closely allied to the Ilic Brotherhood, a membership corporation, organized in the state of Connecticut, with branches in this State, and the said auxiliary was organized primarily to give insurance to the members of the said Ilic Brotherhood. A contract was entered into between the two societies, by which the said Brotherhood undertakes the work of organizing branches of said auxiliary, collecting the premiums, etc., and receiving commissions on all such collections; the auxiliary having only to issue policies, take care of premiums and pay the claims. A copy of said contract referred to above is attached hereto.

Bills Receivable

According to the bills receivable account, the Ilicians' Auxiliary loaned some of its funds to the Ilic Brotherhood, taking the notes of the latter with interest. The records of two of these notes are as follows: One note dated June 30, 1908 for \$500 and interest was, under date of December 31, 1908, cancelled on the books and charged to commissions, with the following memorandum: "On account of work done for us." The other note dated January 24, 1908 for \$750 and interest was, in March, 1909, cancelled on the books and charged to expense account with memorandum as follows: "Inasmuch as the money represented by this note has been used in an effort to build up the organization and they cannot pay it, it is now charged up and canceled."

Death Claims

Death claims on policies Nos. 21 and 341, which provided for the payment of \$500 respectively, contained the following stipulation: "In case said death occurs within three years from the date hereof said sum shall be paid in five equal annual instal-

ments, otherwise in full." The deaths of the persons insured under the above policies occurred within the three years limitation and said claims were adjusted by partial payment in cash and by giving for the remaining instalments, notes of the Illic Brotherhood for terms of from one to four years. I was informed that these notes are still unpaid although some of them are past due. The auxiliary has receipts signed by the beneficiaries releasing it from all further liability, but I consider these unpaid notes of the Illic Brotherhood, representing the unpaid balance on these death claims, as an outstanding liability and have so entered the amount \$700, in the financial statement. The Illicians' Auxiliary claims to have paid to the Illic Brotherhood the present value of the notes given by the brotherhood in payment of the claims and the president exhibited receipts from the Illic Brotherhood for these payments.

Organization Fund

No entry of the receipt or disbursement of the original \$4,025 organization fund appears on the society's records. However, the following memorandum in reference thereto appears: "The above fund was deposited to credit of Illicians' Auxiliary, P. Schoonmaker, Trustee, in Chelsea Exchange Bank." From information received from officers of the Chelsea Exchange Bank and verified transcripts of their ledger accounts (said transcripts attached hereto as Exhibits "A" and "B"), it appears that on December 29, 1905, Perry Schoonmaker, one of the original subscribers, procured a loan of \$4,025 from said bank, on securities which he furnished individually. On the same date there was credited by the said bank to the "Illicians' Auxiliary, Perry Schoonmaker, Trustee," \$4,025 — being the sum required for organization purposes as per article VII, section No. 230 of the Insurance Law. It is quite evident from the bank records and the statements made by President Dunn that there was not, at the time of the organization of the Illicians' Auxiliary, a strict compliance with the provisions of section 230 of the Insurance Law that at least two hundred persons have "each paid in one full assessment in cash, amounting to at least one per centum" of the aggregate amount of insurance, but that the funds required for organization were obtained from one Schoonmaker, who procured them by a loan from the Chelsea Exchange Bank. The

president states that Schoonmaker had some cash payments from those interested in the organization and also had transferred to him the premium notes of some of the first members. Further bank records together with the canceled checks show that practically the whole of this deposit was withdrawn in two items corresponding in date and amount with the payments by said Schoonmaker on his loan. Both of these payments were upon checks payable to the bank. Frederick P. Dunn and Frederick T. McIntyre (president and secretary respectively of the said Ilicians' Auxiliary) executed and furnished the department examiner on January 9, 1906, a sworn statement in effect that no part of the funds held by the order for purposes of organization had "been withdrawn, pledged or in any manner impaired, and that no part or portion thereof has been loaned or advanced to said society by any person, partnership or corporation, for the purpose of being used as the required amount of cash to be paid in on the organization of said society." In the opinion of your examiner, this order did not comply with the requirements of section 230 at the time of its organization, although the evidence submitted to the examiners who made the previous examination appeared on its face to show such compliance. No records of any minutes of meetings of the society or its directors for the years 1908 and 1909 were produced, but the president informed me that the following named persons were the present officers, none of whom receive any compensation: (The officers, other than the president, are said to be only nominal.) President, Frederick P. Dunn; Secretary, Dorothy Golden; Treasurer, H. C. Monsell.

A copy of constitution and laws is filed with this report.

Respectfully submitted,

C. J. NORTON,
Assistant Examiner.

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

C. J. Norton, being duly sworn, deposes and says, that the foregoing report subscribed by him, being an amendment of the same report subscribed and sworn to by him on the 18th day of November, 1909, is true to the best of his knowledge and belief.

C. J. NORTON.

Subscribed and sworn to before me,
this 31st day of December, 1909.

[L. S.] NICHOLAS ABEL,
Notary Public, New York County.

AFFIDAVIT

STATE OF NEW YORK }
COUNTY OF NEW YORK } s.s.:

F. P. Dunn being duly sworn, deposes and says, that he is President of the Ilicians' Auxiliary, a fraternal beneficiary association, incorporated under Article VII of the Insurance Law of the State of New York; that to the best of his information, knowledge and belief, on the 30th day of September, 1909, there were no claims unpaid standing against said Ilicians' Auxiliary in the nature of death, sick, accident or funeral benefits, considered by him to be valid or invalid, nor other claims, bills or miscellaneous accounts unpaid on said date, and that the said association was or is in no way liable for the repayment of certain donations previously made by its officers or members, or by officers or members of the Ilie Brotherhood to carry on the affairs of the said Association and to liquidate certain claims standing against it.

FRED. P. DUNN, *Prest.*

Sworn and subscribed to before me
this 2nd day of October, 1909.

EDWIN F. VALLENTINE

Notary Public, Kings County. Certificate filed in N. Y. Co.

F. P. Dunn further deposes and says, that the Ilicians' Auxiliary above referred to, had on the 30th day of September, 1909, only four policies in force carrying weekly benefits in case of sickness or accident of from (\$5) five to (\$10) ten dollars per week.

FRED. P. DUNN, *Prest.*

Sworn and subscribed to before me
this 2nd day of October, 1909.

EDWIN F. VALLENTINE

Notary Public, Kings County. Certificate filed in N. Y. Co.

EXHIBIT A

CHELSEA EXCHANGE BANK
THIRTY-FOURTH STREET & EIGHTH AVENUE.
NEW YORK, October 15, 1909.

Mr. C. J. NORTON, *State Insurance Department, 165 Broadway, City.*

DEAR SIR.—Enclosed please find transcript of the account of Perry Schoonmaker as Trustee for the Ilicians' Auxiliary; also copy of loan card of Perry Schoonmaker.

This loan was made on December 29, 1905, for \$4,025.00 and

same was credited to the account of Perry Schoonmaker as Trustee, transcript of which we have enclosed.

Yours very truly,
Vice-President and Cashier.

Dict. A. E. S.— S.

EXHIBIT B

Name: Perry Schoonmaker.

No. 205

Address: 161 West 126.

Five per cent.

Date	Loan	Credit	Balance	INTEREST		
				Quarter	Amount	Paid
Dec. 29/05	\$4,025	.....	\$4,025	2 06	50.88	July 13, '06
March 5/07	.....	\$4,025	.....	3	51.43	Nov. 7, '06
				4	51.43	Feb. 14, '07
March 5/07	1,000	.....	1,000	Mar. 5	35.78	March 5, '07
Jan. 6/08	.....	1,000	.....	1—07	3.61	April 20, '07
				2	12.64	July 26, '07
				3	12.78	Oct. 1, '07
				4	12.78	Jan. 6, '08
				Jan. 6	.84	

I certify that this card is a correct copy of the loan card of Perry Schoonmaker as found in the file of the Chelsea Exchange Bank.

M. TAPPEN, Loan Clerk.

[Over]

SECURITY		Value
Seaman's Bank for Savings pass Book No. 414843	.....	\$2,900
11 shares Mercantile Nat. Bank	.....	2,500.
3/5/07 11 Shares Mercantile Nat. Bank	.....	2,640.

	Total checks	Deposits
December 29, 1905	.....	\$4,025.00
February 8, 1906	.....	*10.70
May 7, 1906	.....	*29.51
May 11, 1906	\$62.39	.....
August 7, 1906	.....	*30.20
September 10, 1906	8.02	8.02
September 14, 1906	10	.....
November 6, 1906	51.43	.....
November 8, 1906	.....	*22.03
November 10, 1906	.....	*8.21
February 5, 1907	.....	*30.24
February 14, 1907	30.24	.....
March 5, 1907	3,025	.....
November 19, 1907	.....	*6.80
January 6, 1908	983.63	.....
*Interest	.....	.....
	\$4,170.71	\$4,170.71

ILICIANS' AUXILIARY,
PERRY SCHOONMAKER, Trustee.

I hereby certify that this is a transcript of the account of Perry Schoonmaker, Trustee, found on our ledger of the Chelsea Exchange Bank.

L. CRANE.

CONTRACT

WHEREAS, the ILIC BROTHERHOOD, a corporation chartered by a special act of the General Assembly of the State of Connecticut, being desirous of securing for its members and the members of its subordinate societies, or other branches or divisions thereof, which are hereinafter referred to as its bodies, and their beneficiaries against loss by death, accident, sickness and the infirmities of old age, it has caused to be organized and incorporated a fraternal beneficiary society called the Ilicians' Auxiliary as a brach of said brotherhood, for the purpose of issuing life, death and disability insurance to its members;

Now, therefore, This contract made and entered into by and between the Illic Brotherhood, of Hartford, Connecticut, hereinafter called order, and the Ilicians' Auxiliary, of New York, N. Y., hereinafter called society, for valuable mutual considerations hereinafter expressed, *witnesseth*:

First. Said society shall issue any and all forms of life, death and disability insurance applied for, permitted by law, to the members of said order or its bodies or to such persons or other organizations as said order shall direct in writing and to none other.

Second. The premiums to be charged by said society shall be as follows, unless changed by special agreement by and between the parties hereto:

(a) For life insurance according to the American Experience Table and 3 per cent. interest (by life insurance is meant that kind which has a cash value at the end of a given period);

(b) For death insurance according to the National Fraternal Congress Table and 3 per cent interest (by death insurance is meant that kind which has no value except in the event of the death of the insured);

(c) For disability insurance (sickness, accident and old age) according to the experience of other companies and fraternities doing a like business.

Third. As compensation to said order for obtaining members for said society and collecting and transmitting the premiums on all insurance taken out by said members, said society agrees that said order shall retain fifty per cent (50%) of the first year's premiums, to wit: all the first month premium, two-thirds of the second to seventh month premiums inclusive, and one-half of the eighth and ninth month premiums and ten per cent (10%) of each single premium, and on the second and succeeding years premiums thirty cents (30c.) per month on each one thousand dollars of life or death insurance and on each five dollars (\$5) indemnity per week of disability insurance as said premiums are collected in each instance.

Fourth. The insurance contracts (policy forms) on said society shall prior to being issued be submitted to said order for its approval; and when a policy form has been approved by said order said policy form shall not be changed except with its consent and approval as in the first instance in writing. Said policy forms shall have such devices or emblems of said order or its bodies printed upon them as said order shall furnish for that purpose.

Fifth. The reserve to be maintained by said society on life insurance issued to its members shall be according to the American Experience Table and (3½%) three and one-half per cent. interest or such higher reserve as shall from time to time be agreed upon by and between the parties hereto and said reserve together with the Emergency Fund on Death insurance shall be invested in such securities as shall be agreed upon by the parties hereto.

Sixth. All premiums on policies issued under this contract shall be made payable to and collected by said order or otherwise as it shall direct in writing, and said premiums so collected, less the compensation due the order, shall be transmitted to said society on or before the twentieth day of the month for which collected together with the "Collectors Monthly Report."

Seventh. All printed matter relating to the business matter of said society shall be paid for by it.

Eighth. Any controversy arising under this contract or in relation thereto, which the parties hereto can not settle shall be submitted to the Justilicia for settlement and determination which determinations shall be conclusive and binding upon both parties hereto.

Ninth. In case of the discontinuance or dissolution of said Auxiliary all its assets of every description and kind shall be turned over to the said brotherhood as trustee for the policyholders and creditors thereof.

In witness whereof the Ilic Brotherhood has caused this contract to be signed by its Ilc and Clerile and the great seal of the Ilicia attached and the Ilicians' Auxiliary has caused the signature of its President and Secretary to be appended hereto this second day of January, 1905, and of Ilicia the second.

(Signed) FRED P. DUNN, *Ilc.*

[SEAL]

A. A. LINQUIST, *Clerile.*

G. F. POTTER, *Past President.*

F. T. MCINTYRE, *Secretary.*

Whereas, a preliminary contract was made and entered into by and between the Ilic Brotherhood and the preliminary organization of the Ilicians' Auxiliary on the second day of January, 1906, and

Whereas, on the eleventh day of January, 1906, said Auxiliary was legally incorporated, chartered and licensed to transact the business of a fraternal beneficiary society by the State of New York.

Now, therefore, be it resolved, That said contract be and the same is hereby ratified, confirmed and continued.

That a copy of this resolution in duplicate executed by the Past President and Secretary or Treasurer for and in behalf of said Ilicians' Auxiliary, under the seal thereof be attached to the copies of said contract.

In witness whereof, the said officers have signed their names hereto and the seal of said Auxiliary has been attached this 17th day of January, 1906.

(Signed) G. F. POTTER.

Attest:

Past President.

F. T. MCINTYRE,
Secretary.

[SEAL]

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, November 15, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

Sir.—Pursuant to your appointment No. 2212, hereto annexed, we have completed the examination of the National Surety Company of New York.

The purposes of this examination were to verify an increase of the company's capital stock from \$500,000 to \$750,000; to ascertain if the requirements of the Stock Corporation Law in reference to increase of capital and amendments to charter have been complied with, and also to ascertain its financial condition.

The following report showing the condition of the company on June 30, 1909, is respectfully submitted.

Assets

Bonds.	Par value.	Market value
Atlantic Coast Lines 1st cons 1952 4%.....	\$20,000 00	\$19,200 00
Baltimore & Ohio R R gen'l 1948 4%.....	20,000 00	20,200 00
Atchison, Topeka & Santa Fe R R gen'l mtg coupon 1995 4%.....	10,000 00	10,100 00
Baltimore & Ohio R R prior liens 1925 3½%	20,000 00	18,800 00
Central Pacific R R 1st refdg 1949 4%.....	30,000 00	29,100 00
Central R R of N. J. gen'l 1987 5%.....	15,000 00	19,200 00
Chicago & Eastern Ill. R R refdg 1955 4%..	20,000 00	17,600 00
Chicago, Rock Island & Pacific R R gen'l mtg 1988 4%.....	10,000 00	10,000 00
Chicago & Indiana Southern R R 1956 4%..	10,000 00	9,500 00
Chicago, Burlington & Quincy R R (Ill Div) 1949 4%	10,000 00	10,100 00
Chicago, Burlington & Quincy R R gen'l mtg 1958 4%	10,000 00	10,000 00
Chicago & West. Ind. R R gen'l 1932 6%....	9,000 00	10,080 00
Chesapeake & Ohio R R 1st cons 1939 5%...	10,000 00	11,400 00
Cleveland, Cincinnati, Chicago & St. Louis R R gen'l 1993 4%.....	10,000 00	9,800 00
Delaware & Hudson R R refdg 1st 1943 4%..	10,000 00	10,100 00
Delaware & Hudson R R conv deb 1916 4%..	10,000 00	10,600 00
Iowa, Minn. & N. W. Rwy Co. 1st mtg 1935 3½%	10,000 00	9,300 00
Kentucky Central R R 1st mtg 1987 4%....	10,000 00	9,700 00

Bonds.	Par value.	Market value
Lake Shore & M. S. R R deb 1931 4%	\$10,000 00	\$9,500 00
Lehigh Valley R R gen'l cons 2003 4%	15,000 00	14,700 00
Louisville & Nashville R R unified 1940 4% ..	10,000 00	10,100 00
Manhattan Rwy Co. (tax free) 1990 4%	25,000 00	25,000 00
Mo. Kansas & Texas R R 1st mtg 1990 4% ..	15,000 00	15,000 00
Mo. Kansas & Okla R R 1st guar M. K. & T. 1942 5%	20,000 00	22,000 00
N. Y. N. H. & H. R R deb 1956 4%	25,000 00	24,500 00
N. Y. C. & H. R. R R deb 1934 4%	10,000 00	9,600 00
No. Pac. & Gt. Nor. R R joint C. B. & Q. Coll. 1921 4%	20,000 00	19,600 00
N. Y. C. R R equip 1919 5%	10,000 00	10,900 00
Oregon R R & Nav. Co. cons 1946 4%	20,000 00	19,800 00
Penna. R R conv 1915 3½%	10,000 00	9,700 00
Penna. R R cons 1948 4%	5,000 00	5,200 00
Penna. Co. gold 1931 4%	10,000 00	9,900 00
Pitts. Cincinnati, Chicago & St. Louis Rwy series G cons 1957 4%	10,000 00	10,000 00
Union Pacific R R 1st L. G. conv 1927 4% ..	10,000 00	11,100 00
Union Pacific R R 1st lien refdg 2008 4% ..	25,000 00	25,000 00
Mo. Kansas & Texas Co. (100-yr 1st refdg mtg gold) 2004 4%	20,000 00	17,200 00
Atch. Topeka & Santa Fe Rwy (trans 1st mtg gold bonds) 1958 4%	20,000 00	18,800 00
Colorado & So. Rwy Co. (refdg & extn mtg) 1935 4½%	20,000 00	19,800 00
Chicago & Alton R R pfd refdg 78¾ 1949 3%	10,000 00	7,700 00
Duluth Missabe & Mo. Rwy gen'l mtg 107½ 1941 5%	10,000 00	10,700 00
Michigan Central R R deb 95 1929 4%	20,000 00	18,600 00
Southern Pacific Co. 20-yr conv gold 4% 1929	6,000 00	6,120 00
City of Albuquerque, New Mexico, 4½% 1929	10,000 00	10,700 00
Brooklyn Gold Exempt 1926 3½%	25,000 00	23,750 00
Brooklyn Bond Gold Exempt Schools 1936 3½%	15,000 00	13,950 00
Cincinnati, O. Branch Hospital Bonds 1931 3.65	30,000 00	28,800 00
New York Gold Exempt 1915 3½%	200,000 00	194,000 00
New York Gold Exempt 1917 3½%	250,000 00	242,500 00
New York Gold Exempt 1922 3½%	150,000 00	142,500 00
New York Gold Exempt 1927 3½%	55,000 00	51,700 00
New York Gold Exempt 1940 3½%	245,000 00	222,950 00
New York Gold Exempt 1957 4%	1,000 00	1,010 00
Richmond Va. reg 1941 4%	25,000 00	25,500 00
U. S. Government cons 1930 2%	50,000 00	51,000 00
U. S. Government 1918 3%	25,500 00	25,500 00
U. S. Government "Panama" 1936 2%	95,000 00	95,950 00
U. S. Government "Philippines" 1935 4% ..	50,000 00	53,500 00
U. S. Steel 1963 5%	25,000 00	26,500 00

Stocks.	Par value.	Market value.
Atlanta & Charlotte Air Line R R (guar by Southern Rwy) 100 shares.....	\$10,000 00	\$19,100 00
Cleveland & Pgh. R R (guar by Penn. Rwy Co.) 200 shares.....	10,000 00	17,700 00
Detroit, Hillsdale & S. W. Rwy (guar by L. S. & M. S. Rwy) 100 shares.....	10,000 00	10,100 00
Illinois Central R R "Leased Lines" (guar by Ill. Cent. R R) 100 shares.....	10,000 00	10,000 00
Kansas City, Ft. Scott & Memphis R R 4% pfd (guar by St. L. & S. F. R R) 400 shares	40,000 00	30,800 00
Lehigh Valley R R Co. "Common" 400 shares	20,000 00	32,200 00
Manhattan Rwy (guar by Interborough Rapid Transit) 300 shares.....	30,000 00	43,500 00
Morris & Essex R R (guar by D. L. & W. R R) 400 shares.....	20,000 00	36,600 00
Nashville & Decatur R R (guar by St. L. & Nash. R R) 400 shares.....	10,000 00	18,400 00
N. Y. Lackawanna & West. R R (guar by D. L. & W. R R) 100 shares.....	10,000 00	12,500 00
Pittsburg, Ft. Wayne & Chicago R R (guar by Penn Rwy) 100 shares.....	10,000 00	17,500 00
Rome, Watertown & Ogdensburg 5% (int guar by N. Y. C. & H. R. R R) 100 shares.	10,000 00	12,600 00
Southern Pacific R R pfd 200 shares.....	20,000 00	26,600 00
Union Pacific R R pfd 400 shares.....	40,000 00	40,800 00
Minneapolis, St. P. & S. S. Marie R R Co. "Leased Lines" 500 shares.....	50,000 00	45,500 00
Northern Pacific Rwy 100 shares.....	10,000 00	15,200 00
Chicago, Milwaukee & St. Paul Rwy "Common" 100 shares.....	10,000 00	15,400 00
Great Northern Rwy Co. pfd 100 shares.....	10,000 00	14,900 00
Illinois Central R R Co. 100 shares.....	10,000 00	14,800 00
Delaware & Hudson Co. 100 shares.....	10,000 00	19,400 00
Pitta., McK. & Youghiogeney R R Co. (guar by L. S. & M. S. Rwy) 200 shares.....	10,000 00	13,100 00
Pennsylvania R R 200 shares.....	10,000 00	13,700 00
Atchison, Topeka & Santa Fe R R pfd 100 shares.....	10,000 00	10,400 00
Mo. Kan. & Texas R R Co. pfd 100 shares..	10,000 00	7,300 00
Total par and market values.....	\$2,241,500 00	\$2,303,210 00
Real estate owned, (appraised value).....		\$140,144 50
Mortgage loans (first liens).....		10,798 00
Cash in company's offices.....		7,148 34
Cash in branch office.....		9,257 51
Deposited in trust companies and banks..		400,773 66
Reserve fund deposited in banks and trust companies in the name of the Excise Reinsurance Association.....		23,101 43

Undistributed fund deposited as above.....	\$5,360 40
Accounts receivable	21,804 61
Due from Munich Reinsurance Company (balance)	6,633 25
Due from Metropolitan Surety Company (balance)	2,099 68
Check in hands of company's attorney.....	412 20
Reinsurances due on paid losses.....	5,827 28
Salvage	23,490 52
Interest and rents accrued.....	17,125 51
Gross premiums in course of collection (written within three months).....	352,142 52
Gross assets	\$3,328,329 39

Deduct Assets Not Admitted

Munich Reinsurance Company.....	\$5,633 25
Metropolitan Surety Company.....	2,099 68
	<hr/>
	7,732 93
Total admitted assets.....	\$3,320,596 46

Liabilities

Losses and claims.....	\$644,714 08
Unearned premiums	1,271,552 05
Commissions on business written on or after April 1, 1909..	70,428 50
Dividends due stockholders.....	15,012 00
Bond and mortgage account.....	\$8,500 00
	1,418 48
	<hr/>
	9,918 48
Empire State Surety Company.....	8,675 00
Accrued interest on mortgage.....	106 25
Accounts payable	14,199 72
Accrued taxes (estimated).....	20,000 00
Due agents	1,625 30
Return premiums	3,637 60
Unadjusted premiums	11,735 19
Reinsurance and co-surety due.....	17,710 12
Profit sharing	7,385 08
Salvage suspense	5,308 85
J. S. Farrell & Co.....	3,130 77
Premiums paid	1,878 04
Advance on contract.....	174 17
Suspense items	2,241 36
	<hr/>
Total liabilities, except capital.....	\$2,109,432 56
Capital	\$750,000 00
Surplus over liabilities.....	461,163 90
	<hr/>
Surplus to policyholders.....	1,211,163 90
	<hr/>
Total liabilities	\$3,320,596 46

Income and Disbursements

The schedule of income and disbursements for the six months ending June 30, 1903, was checked and agreed with the ledger balances.

Security Investments

The schedule of stocks and bonds owned by the company was checked and agreed with the ledger account. The securities were examined and counted with the exception of those deposited with various states and territories and which are enumerated in the following list:

New York City corporate stock, par value, \$50,000, 1917, deposited with the Treasurer, State of Alabama.

New York City corporate stock, par value, \$50,000, 1917, deposited with the Treasurer, State of Oklahoma.

New York City corporate stock, par value, \$25,000, 1940, deposited with the Superintendent of Insurance, State of New York.

New York City corporate stock, par value, \$11,000, 1940, deposited with Collector of Revenues, for U. S. Government, Isthmus of Panama.

City of Brooklyn, gold exempt bond, par value, \$25,000, 1926, deposited with the Treasurer, State of Idaho.

Brooklyn School Bonds, par value, \$15,000, 1936, deposited with the Secretary of State of Utah.

United States government consuls, par value, \$50,000, 1930, deposited with the Treasurer, State of Texas.

United States government bonds, par value, \$25,000, 1918, deposited with the Treasurer, State of Tennessee.

New York City corporate stock, par value, \$200,000, 1915, deposited with the Superintendent of Insurance, State of New York.

New York City corporate stock, par value, \$100,000, 1922, deposited with the Provident Life & Trust Company, Philadelphia, Pa., for the city of Philadelphia, Pa.

United States government, Panama bonds, par value, \$20,000, 1936, deposited with the Treasurer, State of South Dakota.

United States government, Panama bonds, par value, \$50,000, 1936, deposited with the Treasurer, State of Louisiana.

United States government, Panama bonds, par value, \$25,000, 1936, deposited with the Treasurer, State of Georgia.

City of Cincinnati, Ohio, bonds, par value, \$30,000, 1931, deposited with the Superintendent of Insurance, State of Ohio.

United States government, Philippine bonds, par value, \$10,000, 1935, deposited with the Treasurer, State of Delaware.

City of Richmond, Va., registered bond, par value, \$25,000, 1941, deposited with Treasurer, State of Virginia.

Chicago, Burlington & Quincy R. R. Company, general mortgage bonds, par value, \$10,000, 1949, deposited with Secretary of State of Utah.

City of Albuquerque, New Mexico, bonds, par value, \$10,000, 1929, deposited with Treasurer of the Territory of New Mexico.

Atlanta & Charlotte Air Line Railway Company (guaranteed by Southern Railway) stock, par value, \$10,000, deposited with the United States Mortgage & Trust Company of New York, under an agreement, a copy of which is filed with the examination papers.

The deposit of New York city corporate stock, par value, \$100,000, with the Provident Life and Trust Company of Philadelphia, Pa., was made in accordance with a contract ordinance of the city of Philadelphia, giving a preference to such claims as may develop on bonds underwritten for city contractors.

Certificates were produced covering the various deposits. Copies were obtained and are filed with the examination papers.

Quotations

The quotations used to arrive at the market value of the security investments as of June 30, 1908 were obtained from the Department auditing bureau.

Real Estate Owned and Bond and Mortgage Loans

At the date of this examination the evidences of title to the real estate owned by the company were not in perfect condition but subsequently the missing documents were supplied.

The full details as to the examination of titles are explained in the reports of Mr. E. P. Ward dated October 23 and November 11, 1909.

The schedules submitted of real estate owned and bond and mortgage loans, together with the ledger accounts of same were very much involved, but a careful investigation revealed that the company was entitled to credit for real estate owned and for loans on bond and mortgage in the sum of \$150,942.50, based on Department appraisals.

The titles to the real estate were acquired through settlement of losses, the property having been held as indemnity in the event of loss.

Two parcels were held subject to mortgage,—one for \$8,500, the other for \$1,418.48.

The Munich Reinsurance Company has an interest (unrecorded) in four parcels amounting to \$3,024.75.

The Empire State Surety Company has one-half interest (unrecorded) in two parcels amounting to \$8,675.

The incumbrances above mentioned have been provided for in the foregoing financial statement.

The Munich also has an interest amounting to \$375 in the purchase money mortgage given by Wm. J. Sutherland to secure loan of \$4,750 made to him.

In the Munich real estate account credit has been given for its interest as shown above.

In three cases the company is not in possession of abstracts or searches and for that reason no credit has been allowed.

Cash in Home Office

From our examination, we are convinced that this item reported as \$7,148.34 is correct.

Cash in Branch Offices

This item was reported as \$24,050 and represents cash advanced by the home office to the cashiers of the various branch offices as a "working fund." The cashiers are required to report to the home office at the end of each month the condition of the working fund, showing all disbursements, etc. Said reports are usually received and proper entries made in the books early in the following month. Checks to cover such disbursements, etc. are forwarded and by that method the original advance is maintained. It was found that of the \$24,050 reported June 30, 1909, only \$9,257.51 was actually on hand in cash, \$5,430.01 had been advanced to railroad inspectors, and \$9,362.48 disbursed for expenses during the month of June.

Deposited in Trust Companies and Banks

In its financial statement filed with the Department under date of June 30, 1909, the company reported the sum of \$419,678.69. Included in this sum was \$18,905.03 which we have deducted as shown by the foregoing statement of assets. This latter sum was not deposited in bank to the credit of the company and subject to its check but was a reserve fund deposited in banks in the name of the Excise Reinsurance Association, held by it under

reinsurance agreements entered into in 1906, 1907 and 1908 to provide for contingent losses.

The examination disclosed the Excise Reinsurance Association fund referred to above to be \$28,461.83 instead of \$18,905.03 and we have allowed it as a ledger asset under the heading "Reserve Fund deposited in banks and trust companies in the name of the Excise Reinsurance Association."

Certificates were obtained from the banks showing the balance to the credit of the company on the above date and were reconciled by an examination of the bank pass books, check books, returned checks, cash book and ledger.

Excise Reinsurance Association

A copy of the original agreement dated February 20, 1908 and supplement thereto entered into by nine surety companies comprising the Excise Reinsurance Association is filed with this report. The excise bonds expiring September 30, 1909, executed by this company were issued under said agreement. By its terms the company is entitled to $7\frac{7}{8}$ per cent. of all premiums received by the association and shares in the commission, expenses and losses paid in the same proportion.

Section 6 of the agreement provides as follows:

"Thirty per cent. of the net premiums received (the gross premiums less commissions and expenses) on bonds issued hereunder shall be deposited in some bank, banks, trust company or trust companies designated by the Executive Committee, and shall be kept intact there until December 1, 1910. On December 1, 1910, two-thirds of the thirty per cent. fund so reserved shall be distributed to the companies, and on December 1, 1911, the remaining third of the said fund shall be distributed; provided that the said reserve fund shall at no time be reduced to an amount below that of the aggregate of all pending or threatened claims concerned with the said fund."

Accounts Receivable

This item was found to be \$21,804.61 instead of \$20,175.14 as reported by the company.

Advanced for Railroad Inspection

This item reported as \$7,859.12 represents advances made to inspectors of the company for expenses incurred, for which it is

reimbursed by the various railway companies whose employees are bonded. Said amount was increased by \$5,430.01 which had been included in "Cash in Branch Offices," but deducted by us from that item.

Salvage

This item represents salvage recoveries in cash, received after June 30, 1909 on losses paid prior to July 1, 1909.

Interest and Rents Accrued

This item was reported as \$18,722.22. The correct amount was found to be \$17,125.51 and is carried in the financial statement at that figure.

Premiums in Course of Collection

On June 30, 1909, this item was reported as follows:

Gross premiums (written prior to April 1, 1909) ..	\$128,417 83
Gross premiums (written subsequent to March 31, 1909)	369,131 66
Total	<u>\$497,549 49</u>

The premium due cards and schedules representing premiums written subsequent to March 31, 1909, were carefully checked and credit is given for \$352,142.52, which reduces the credit taken by the company by the sum of \$16,989.14.

The company asked credit for certain uncollected premiums where the bonds became effective prior to April 1, 1909, but not reported to the home office until after said date.

It is clear to us that such credit should not be allowed and the request has not been granted.

We are informed that the premiums reported more than three months over due on June 30, 1909, and since paid amount to \$31,355.93.

LIABILITIES

Loss Reserve

For the purpose of determining the amount of reserve sufficient to mature all outstanding claims, an exhaustive and thorough

examination of all papers or files in each case was made. As a result we have increased the company's loss reserve \$157,469.28 as follows;

	Company's Estimate	Department Estimate	Increase
Fidelity	\$186,039 86	\$236,340 46	\$50,300 60
Surety	286,499 36	390,337 58	103,838 22
Burglary	14,705 58	18,036 04	3,330 46
Total	<u>\$487,244 80</u>	<u>\$644,714 08</u>	<u>\$157,469 28</u>

Approximately \$24,000 of the above increase is due to re-insurances in the Munich, credited by the company in making its estimate and disallowed by us. In our opinion, the loss reserve in a number of cases was under-estimated by the company and we believe the amount carried in this statement is a fair estimate and a sufficient loss reserve.

Contingent Loss Liability

The company issues certain fidelity bonds by the terms of which the obligee has from three to twelve months after the expiration of the period for which the premium is paid, in which to discover embezzlement and make claim for loss.

No special reserve is carried to provide for such contingent liability.

We are informed that for the year 1908 very few such claims were paid and that during the present year, for this class of bonds, but few claims have been filed.

Premium Reserve

Owing to the faulty system at present in use by the company, we experienced considerable difficulty in arriving at the proper sum to charge for the unearned premium liability.

After a careful examination and checking of the schedules submitted, computing on the half-monthly basis, we believe the amount of \$1,271,552.05 to be as near the correct figure as it is possible to obtain without computing on each respective risk in force from the date of the issuance of the policy or bond.

The company in its financial statement filed with the Department under date of June 30, 1909, reported its unearned premium liability to be \$1,174,316.54.

A comparison with our figures shows an increase of \$97,235.51. The cause of this difference is explained as follows: (1) The company's figures were based on 50 per cent. unearned on all premiums in force written for one year or less, and on bonds the terminations of which were indefinite, the premiums being payable annually, and on a pro rata basis for business written for a definite term more than one year. (2) The treatment of the commission on reinsurance ceded by other companies and on reinsurance effected with other companies as provided by section 22 of the insurance law. (3) Credit was taken for 50 per cent. of all reinsurance premiums in force regardless of the term for which they were written. (4) Credit was taken for reinsurance in companies not admitted to transact the business of surety insurance in this State. Of the credit thus taken for reinsurance about \$40,000 was effected with the Munich Reinsurance Company of Munich, Bavaria.

We have disallowed this credit for the reasons above stated. However, it is but fair to say that said reinsuring company bears an excellent reputation and we are informed pays its losses promptly.

If computations had been made on the 50 per cent. and pro rata basis as prescribed in the blanks used for annual statements, the unearned premiums would show a decrease of about \$70,000, but owing to the increased business written and in force for the last six months period of the fiscal year ending June 30, 1909, it is manifest that such a computation would not show the true condition.

Profit Sharing

On December 5, 1906, the company entered into an agency agreement with Joyce & Company of Chicago, Ill., to take effect as of October 27, 1906, for a term of five years. By the terms of said agreement, the National Surety Company agreed to allow in full compensation for all services rendered and in full reimbursement for all expenses by the said general agents not specially authorized by it in writing, a commission of twenty-five (25%) per cent. on all

cash premiums collected and paid for surety and fidelity business secured during the term of the agreement and on all bonds executed by or through agents previously located or acting for the company.

At the end of each fiscal year, after deducting losses paid, commissions, expenses, etc., the general agents receive an additional commission of ten (10%) per cent. of the net profits of the agency business.

On the sixth day of August, 1908, a modification was agreed to that on certain business the general agents would be entitled to an over-riding commission of five (5%) per cent. Such commission in no case to exceed five (\$5.00) dollars on any one bond.

The general agents shared in the said net profits for the years ending October 27, 1907 and 1908 and 1909, to the extent of \$6,196.37, \$6,163.16 and \$9,385.08 respectively.

For the period between September 1, 1905, and October 28, 1908, as shown by statements made to us, this compensation has averaged 29 9/10 per cent. of the premiums received, and for the eight months ending June 30, 1909, it has averaged about 29 37/100 per cent.

Joyce & Company is an Illinois corporation, and we are informed that a majority of the stock is owned and controlled by Mrs. W. B. Joyce.

A copy of the agreement and memorandum of the modification is filed with the report.

Surplus

In the financial statement filed with the department as of June 30, 1909, the company reported the surplus as \$753,153.32. As a result of this examination, the surplus as of said date was found to be \$461,163.90.

Organization

The National Surety Company of New York was incorporated February 24, 1897, under chapter 690 of the Laws of 1892, with a capital of \$500,000 and a surplus of \$500,000 fully paid in cash.

The business of the company is conducted under the direct supervision of the following executive officers and department heads:

	Salary per annum
William B. Joyce, President.....	\$25,000 00
William J. Griffin, 1st Vice-President and Gen'l Solicitor.....	15,000 00
Ralph W. Smith, Vice-President.....	7,100 00
Joel Rathbone, Vice-President.....	7,500 00
Henry L. King, Vice-President.....	3,180 00
Leonard Dammann, Vice-President.....	3,600 00
W. C. Armitage, Vice-President.....	3,600 00
David W. Armstrong, Jr., Secretary.....	5,100 00
Philip L. Small, Comptroller.....	3,600 00
Hubert J. Hewitt, Auditor-Treasurer.....	2,160 00
John C. Draper, Jr., Asst. Secretary.....	1,920 00
W. A. Thompson, Asst. Secretary.....	2,520 00
W. I. Hawks, Asst. Secretary.....	3,300 00
Howard Abrahams, Asst. Secretary.....	2,000 00
H. M. de Vries, Asst. Secretary.....	1,800 00
Upton Slingluff, Asst. Secretary.....	2,000 00
D. A. Macbeth, Asst. General Solicitor.....	4,000 00
Joseph T. Magee, Asst. General Solicitor.....	4,000 00
Ausburn H. Birdsall, Asst. General Solicitor.....	3,000 00
William H. Drapier, Jr., Supt. of Agencies.....	3,300 00
A. P. West, Asst. Manager Court Dept.....	2,520 00
B. H. Monroe, Manager Industrial Division.....	1,860 00
Percy E. Wiles, Manager Supply Department.....	1,320 00
Ernest J. Miller, Asst. Supt. Burglary Dept.....	1,320 00
Howard M. Frost, Asst. Supt. Fidelity Dept.....	1,500 00

Purchases and Sales of Securities

A schedule was obtained showing the purchases and sales of securities since the organization of the company. Said schedule was checked, the vouchers examined, and agreed with the cash books and ledgers. The authority for the purchases and sales appears in the minutes of the meetings of the directors and executive committee.

Many of the securities were purchased from Redmond & Company and Bertron, Griscom & Jenks. We are informed that Mr. F. Q. Brown is a member of the firm of Redmond & Company, and Mr. S. Reading Bertron is a member of the firm of Bertron, Griscom & Jenks. Messrs. Brown and Bertron, being directors of the National Surety Company, it would appear that section 36 of the insurance law has been violated.

It is stated by the president that the officers were not aware that the insurance law prohibited the purchase of securities

through brokerage firms of which directors of the company are members. Assurance has been given that this practice was discontinued as soon as attention of the company was called to this matter.

Stockholders

The list of stockholders was checked and agreed with the stock ledger and stock certificate book. The original issue of capital stock was 5,000 shares of \$100 each which was increased February 2, 1909 to 7,500 shares, par value \$100 each.

Board of Directors

The following board of directors consists of twenty-one persons, all of whom are stockholders in the company and a majority are citizens and residents of the State of New York: F. Q. Brown, H. Rieman Duval, Emerson McMillan, James McMahon, Anthony N. Brady, Frederic R. Coudert, John R. Hegeman, Wm. B. Joyce, Samuel H. Shriver, John A. Spoor, S. Reading Bertron, Marshall S. Driggs, John C. McCall, Samuel Sloan, B. P. Cheney, William J. Griffin, Adrian H. Joline, Alanson P. Lathrop, Ballard McCall, J. Edward Simmons, George G. Ward.

Executive Committee

Article IX, section 1, of the by-laws provides that "there shall be a standing committee known as the executive committee, which shall consist of nine members, four members of which shall constitute a quorum for the transaction of business. The president shall be a member of such committee and at the annual meeting of the board of directors shall nominate from among the directors, subject to the approval of the board of directors the other members of the committee. Vacancies in such committee shall be filled by the board of directors."

The executive committee advise and direct the executive and ministerial officers of the company with regard to its affairs and the policy to be pursued in the transaction of business and at all times when the board of directors are not in session, have and possess, subject to the limitations of the by-laws and the statutes of the State of New York, the same powers and authority which the board of directors has.

At present the executive committee is composed as follows: F. Q. Brown, Chairman, S. Reading Bertron, H. Rieman Duval, Marshall S. Driggs, Emerson McMillan, John C. McCall, James McMahan, Samuel Sloan, William B. Joyce.

Collateral Security

Under certain classes of bonds, this company requires a deposit of collateral before the bond is issued, to be held for its protection in the event of a loss, and to be returned to the depositor on his demand at the termination of liability.

The collateral held solely in the company's control consisted of cash in bank \$151,965.70, stocks and bonds to the par value of \$3,349,749, certificates of deposit amounting to \$190,234.99, bank books with deposits assigned and banks so notified, amounting to \$39,416.47, one hundred and fourteen trust deeds and mortgages running to the company and duly recorded, various insurance policies and promissory notes.

All of this collateral was checked and verified, the cash in bank with certificates from the banks, and the other collateral by inspection and count.

In addition, bonds and stocks to the par value of \$186,937.68, as evidenced by correspondence and certificates in the files, are held by banks and trust companies for this company's protection against loss and under particular bonds.

A schedule or list of this collateral in detail is filed with the examination papers of this report.

Limitation of Risks

Section 24 of the insurance law provides that "No domestic insurance corporation, nor any insurance corporation organized under the laws of any country outside of the United States, doing business in this state, shall expose itself to any loss on any one risk or hazard, to an amount exceeding ten per cent of its capital and surplus. No insurance corporation, incorporated under the laws of any other state of the United States, doing business in this state, shall expose itself to any loss on any one risk or hazard, within this state, to an amount exceeding ten per cent of its capital and surplus. No portion of any such risk or hazard, which

shall have been reinsured in a corporation authorized to do insurance business in this state, shall be included in determining the limitation of risk prescribed in this section."

The amount of the 10 per cent limitation provided for in said section was \$144,000 on December 31, 1908, and \$145,000 on June 30, 1909, as shown by the statements compiled by the company. At our request a schedule of all bonds issued by the company in force June 30, 1909, was submitted, the penalty named in the bond being for \$140,000 or in excess of that sum. This schedule which is filed with this report shows that the penalty named in 298 of such bonds exceeded \$145,000.

At present it seems to be an open question as to what constitutes an exposure "to any loss on any one risk or hazard, to an amount not exceeding ten per cent. of its capital and surplus." It has been held by the courts that the value of collateral deposited as security against loss should be deducted from amount of loss to which it is exposed in calculating limitation of risk. The provisions of section 24 allow credit for reinsurance in authorized companies in determining this limitation. Our understanding is that indemnity agreements, either individual or corporation, are not allowed as an offset in fixing a limit of exposure, although we know no ruling by the department nor decision by the courts covering this question. The penalty named in bonds of executors, administrators and other fiduciaries is for twice the amount of known assets of the estate, and the exposure is dependent on the value of such assets and not on the penalty of the bond. An appeal bond is given for twice the amount of the judgment and the liability is fixed by the amount of judgment, plus costs and interest, the penalty named in the bond limiting but not determining the liability. Of course there are many bonds issued by a surety company in which the exposure to loss is definitely fixed by the amount of penalty named in the bond.

The instructions of the Treasury Department of the United States to its officers and employees relative to the acceptance of bonds executed by surety companies are set forth in department circular No. 36 bearing date of June 2, 1908 and are substantially as follows:

"1. No company shall be accepted as sole surety on any bond under this department, the penal sum of which is greater than

10% of the paid-up capital and surplus of such company, except on transportation or warehousing bonds, on which the limit of any such company on any one of such bonds shall be 50% of its paid-up capital and surplus.

" 2. Two or more companies may be accepted as sureties on any bond, the penal sum of which does not exceed the limit prescribed of their aggregate paid-up capital and surplus; and in such cases each company may limit its liability to a definite specified amount. Such amount to be in all cases within the limitation herein prescribed. In cases where the law requires it, every such bond shall be executed by the principal and sureties jointly and severally.

" 3. No company shall be accepted as surety on any bond under this department which shall execute any bond, the penal sum of which is greater than the limitations herein prescribed.

" 4. In determining the limitation, reinsurance in authorized companies may be deducted, if same is effected within twenty days of the execution and delivery of the bond. Provided, that on every bond in which the United States is interested as a party, the reinsurance agreement shall be executed simultaneously with the original obligation.

" 5. No portion of any bond, except those in which the United States is interested, as a party, shall be included in determining the limitations herein prescribed, upon which such company shall have been secured at the time of execution and delivery of the original obligation, by the deposit in pledge, or by conveyance in trust, for its protection, of property equal in value to such excess.

" 6. No portion of any bond executed on account of a fiduciary holding property in a trust capacity shall be included in determining the limitations herein prescribed upon which such company shall have been secured by agreement for the deposit, made at the time of execution and delivery of the original obligation, and by the actual deposit or other disposition written twenty days thereafter, of a suitable and sufficient portion of the estate so held that no further sale, mortgage, pledge or other disposition can be made thereof without such company's approval, except by the decree of a court having proper jurisdiction.

" 7. In determining the limitations herein prescribed the full penalty of the bond will be regarded as the liability, and no offset will be allowed on account of any estimate and risk which is less than the full penalty of the bond, except in the following cases:

"(a) Appeal bonds; in which cases the liability will be regarded as the amount of the judgment appealed from plus 10 per cent of said amount to cover interest and costs.

" (b) Bonds of executors, administrators, trustees, guardians and

other fiduciaries; in which cases the estimate of value of the known estate will be regarded as the liability.

“(c) Contract bonds, except those in which the United States is interested as a party, given in excess of the amount of the contract; in which cases the amount of the contract will be regarded as the liability.

“(d) Bonds for banks or trust companies as principals, conditioned to repay moneys on deposit, where, by any law or decree of a court, the amount to be deposited shall be less than the penalty of the bond, in which cases the maximum amount on deposit at any one time will be regarded as the liability.”

It will be seen that the government recognizes coinsurance, re-insurance, the value of collaterals and joint control of assets in determining the actual amount at risk, and also establishes the principle that the penalty named in the bond does not necessarily measure or determine the liability. It also appears that the government will accept a transportation or a warehousing bond, fixing the limit on any one of such bonds at 50 per cent. of the company's paid up capital and surplus.

A transportation bond is given under the following general conditions:

A manufacturer of a class of goods calling for an internal revenue tax, is required to pay such tax only on goods used in this country, and not on goods exported. The government requires a bond shall be given calling for the payment of an internal revenue tax on goods to be exported in the event of a failure of such exportation.

A warehousing bond is given under the following general conditions:

A distiller guarantees that all the whiskey which he distills shall be placed in a warehouse in charge of a United States gauger and storekeeper, and within a period of not later than eight years causes same to be removed and pays the tax thereon. Under the terms of the bond, if, during the eight years, the whiskey is removed and the tax be not paid thereon, the surety company becomes liable for the amount of the taxes. At the end of eight years, if the whiskey has not been removed and the tax not paid thereon, the government is at liberty to dispose of same, and if the goods disposed of do not realize the amount of

taxes due, then the distiller and surety company are liable for the deficiency.

While the actual experience of this company with these two classes of bonds has been very favorable, the company never having experienced a loss under either class, the fact remains, however, the exposure to loss is fixed by the penalty of the bond, and under the provisions of section 24, a surety company is prohibited from writing a transportation or warehousing bond, the penalty of which is in excess of 10 per cent. of its capital and surplus, unless such excess shall be reinsured in an authorized company.

Of the 298 bonds, the penalty named in each being in excess of \$145,000, we find but ninety-two in which the real exposure is in excess of that amount. Thirty-one of the ninety-two bonds were reinsured for such excess in an unauthorized company, but additional insurance has since been obtained in these cases in authorized companies. Forty-six of the bonds written in excess are warehousing bonds. We have selected fifteen bonds from the list submitted, all of which appear to have been issued contrary to the provisions of section 24.

No. bond	Class of bond	Penalty of bond
<i>Court</i>		
185465	Injunction	\$175,000 00
<i>Contract</i>		
174301	Sewer construction	200,000 00
210243	5 yrs. maintain paying rentals	200,000 00
157489	Covering award of pine timber	475,085 34
199161	Cutting government timber	206,817 00
415226	Construction of steel bridge	270,000 00
<i>Internal Revenue</i>		
154592	Annual warehousing	400,000 00
171791	Warehousing	269,000 00
175119	Monthly warehousing	313,800 00
180326	Monthly warehousing	347,700 00
195772	Annual warehousing	600,000 00
198185	Annual warehousing	400,000 00
234802	Annual warehousing	600,000 00
<i>U. S. Custom House</i>		
299445	Permit to retain cargo	198,000 00
220292	Transportation	250,000 00

There is a further question concerning this subject which arises in connection with depository bonds. One depository bond guarantees only one bank deposit, but in many instances a surety company issues two or more depository bonds, each guaranteeing a separate deposit, but all are written for the same bank or trust company. In such a case the penalty named in each bond may be less than 10 per cent. of the company's capital and surplus, but the aggregate penalties named in the several bonds may exceed the said 10 per cent. Under these conditions it would seem that the amount of exposure to loss on any one risk or hazard would depend upon the aggregate amount of deposits guaranteed in any one bank or trust company, and that this exposure on any one risk or hazard is not limited to the amount of the penalty in any one of such bonds.

A schedule submitted shows that the company has exposed itself to a loss on one bank to an amount in excess of \$150,000 in but two cases. Certain reinsurance in both instances has been effected in an unauthorized company, which we are not allowed to consider as a credit, but if considered, would reduce the amount in both cases below \$150,000. The instructions given by President Joyce on January 23, 1909, to the underwriting board of the company regarding depository bonds are as follows:

"Never carry net on any bank over \$100,000 and never net more than 25% of the capital and surplus of the bank, but try to limit your net line on any one risk to 15 or 20% of its capital and surplus."

As a result of this examination, the capital and surplus was found to amount to \$1,211,163.90 on June 30, 1909, and the amount it should now expose itself to lose on any one risk or hazard should not exceed \$121,116.39.

Increase of Capital

In conformity with the statute as provided in section 46 of the Stock Corporation Law, a special meeting of the stockholders of the company was held.

Stockholders owning 3,484 of the 5,000 shares of the stock of the corporation were present in person or by proxy.

At said meeting authority was given to increase the capital from \$500,000 to \$750,000.

A regular quarterly meeting of the board of directors of the company was held later in the day when similar action was taken.

The following are extracts from the minutes of the meetings referred to above:

" * * * A special meeting of the stockholders of the National Surety Company, for the purpose of voting upon a proposition to increase the capital stock from \$500,000 to \$750,000 was held at the principal office of the company, No. 115 Broadway, Borough of Manhattan, City of New York, on the second day of February, 1909, at 2:30 o'clock in the afternoon pursuant to the following notice:

"A special meeting of the stockholders of the National Surety Company, for the purpose of voting upon a proposition to increase its capital stock from \$500,000, consisting of 5000 shares of the par value of \$100.00 each, to \$750,000.00, to consist of 7500 shares of the par value of \$100.00 each, and to take such action as may be necessary in connection therewith, will be held at the principal offices of the company, No. 115 Broadway, in the City of New York, on Tuesday, the second day of February, 1909, at 2:30 o'clock P. M." * * *

" * * * *Resolved*, That the capital stock of the National Surety Company be increased from the present amount thereof, to wit: \$500,000. consisting of 5000 shares of the par value of \$100. each, to \$750,000 to consist of 7500 shares of the par value of \$100. each." * * *

At the regular quarterly meeting of the board of directors of the National Surety Company of New York, held at the principal offices, No. 115 Broadway, New York city, on Tuesday, February 2, 1909, at 3:30 P. M.:

" * * * On motion, it was

"*Resolved*, That a special dividend of \$250,000. be and hereby is declared out of surplus earnings, and payable by 2500 shares of new capital stock of the par value of \$100. each, issued under authority of resolution of special meeting of the company's stockholders, held February 2nd, 1909, increasing the capital stock to \$750,000. consisting of 7500 shares, which new stock shall be distributed to stockholders appearing of record on the company's stock book at the close of business February 5th, 1909, in the proportion of one share of new stock for each two shares of original stock held on said date, any fraction of a share of new stock arising upon such distribution to be awarded in a scrip certificate to the stockholder entitled thereto, and if any stockholder shall not take all

or any part of his allotment of such new stock or scrip within twenty days after written notice of allotment thereof by United States mail shall have been given such stockholder, addressed to the stockholder, at the place noted upon the company's stock book, said untaken stock or scrip or both at the election of the company shall be sold for the benefit of the company at public auction to the highest bidder at not less, however, than the par value thereof for each share of stock, nor less than \$50. for each half share scrip certificate."

In this connection an affidavit subscribed and sworn to by William B. Joyce and David W. Armstrong, Jr., president and secretary respectively, was secured, marked "Exhibit A," and is attached to this report.

Charter

At a regular quarterly meeting of the board of directors held February 2, 1909, amendments to articles 2, 4, 5 and 7 of the company's charter were presented, acted upon, and appear in the minutes of the meeting as recited below:

"AMENDMENTS TO THE CHARTER OF THE NATIONAL SURETY Co." which read:

"Article II

"The company shall be located and its principal place of business shall be in the city of New York, but it may establish such branches and agencies throughout the United States and elsewhere as may be necessary or deemed advisable for the transaction of business."

• shall read:

"Article II

"The company shall be located and its principal place of business shall be in the City of New York, State of New York, but it may establish such branches and agencies and appoint such attorneys-in-fact throughout the United States and elsewhere including foreign countries, as may be necessary or deemed advisable for the transaction of business."

and that section 1 of Article IV now reading:

"Article IV

"Sec. 1. All of the corporate powers of the company shall be exercised by a board of directors, and such officers, committees and agents as the board elect or appoint."
shall read:

"Article IV

"Sec. 1. All of the corporate powers of the company shall be exercised by a Board of Directors, and such officers, committees, attorneys-in-fact and agents as the board may elect or as may be appointed by said board, the president or any vice-president."

and that sections 4, 5, 7 and 8 of Article V, now reading:

"Sec. 4. All vacancies in the Board of Directors shall be filled by the Board for the unexpired term."

"Sec. 5. The Board of Directors shall elect from among its own number a President, and Vice-President, whose term of office shall end on the first Tuesday in February of each year."

"Sec. 7. The President may appoint one or more Vice-Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, and Assistant Treasurer, and a Comptroller, such appointments to be confirmed by the Board of Directors or the Executive Committee, and said officers shall have such powers and perform such duties as may be assigned to them by the President, Board of Directors, Executive Committee or the By-Laws of the Company, and shall hold office during the pleasure of the Board."

"Sec. 8. The President, Board of Directors, or the Executive Committee may, from time to time, appoint such agents, resident vice-presidents and resident assistant secretaries in various places as may be necessary or deemed advisable for the transaction of the business of the company, and any such agent or officer may be removed from office at any time by either the Board, the Executive Committee or the President."

shall read:

"Article V

"Sec. 4. All vacancies in the Board of Directors shall be filled by the Board for the unexpired term at any time the Board shall deem advisable.

"Sec. 5. The Board of Directors shall elect from among its own number, a President, and a First Vice-President, whose term of office shall end on the first Tuesday in February of each year.

"Sec. 7. The Board of Directors may also appoint one or more Vice-Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer, an Assistant Treasurer, and a Comptroller, all of whom shall hold office during the pleasure of the Board.

"Sec. 8. The President, Board of Directors, the Executive Committee, or any Vice-President may, from time to time, appoint such agents, attorneys-in-fact, resident vice-presidents and resident assistant secretaries in various places in the United States or elsewhere, including foreign countries, as may be necessary or deemed advisable for the transaction of the business of the company, and

any such agent, attorney-in-fact, resident vice-president or resident assistant secretary, may be removed from office at any time by either the Board, the Executive Committee, the President, or any Vice-President."

and that Article VII, now reading:

"Article VII

"The capital stock of the Company shall be Five Hundred Thousand (\$500,000) Dollars, divided into Five Thousand (5,000) shares of the par value of One Hundred (\$100) Dollars each."

shall read:

"The capital stock of the company shall be Seven Hundred and fifty thousand (\$750,000) Dollars, divided into Seventy-five hundred (7500) shares of the par value of One Hundred (\$100) Dollars each."

Conclusion

We recommend that the company be impressed with the importance of so improving its methods of bookkeeping and system of keeping its unearned premium fund that in the future examiners may more readily obtain the information necessary to arrive at its true financial condition.

Respectfully submitted,

SETH C. McARTHUR

ARTHUR F. SAXTON

Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Seth C. McArthur and Arthur F. Saxton, being duly sworn, depose and say, and each for himself says, that the foregoing report subscribed by him, being in amendment of the same report, subscribed and sworn to by them on the 22d and 27th days of November, 1909, respectively, is true to the best of their knowledge and belief.

SETH C. McARTHUR

ARTHUR F. SAXTON

Subscribed and sworn to before me this

23d day of December, 1909.

ISAAC FULD,

[L. S.]

Notary Public, New York County.

EXHIBIT A

STATE OF NEW YORK, } ss.:
CITY AND COUNTY OF NEW YORK. }

William B. Joyce and David W. Armstrong, Jr., being each duly sworn, depose and say, each for himself, that the said William B. Joyce is the president, and the said David W. Armstrong, Jr. is the secretary of the stock corporation, known as the National Surety Company of New York, and the said president and secretary do hereby severally certify and declare under oath, that the assets representing the \$250,000 special stock dividend declared out of the surplus earnings of the company under date of February 2d, 1909 for the purpose of increasing its capital to \$750,000 were bona fide the property of said company and on June 30, 1909 were possessed by it in its corporate name and capacity, either in money or in such stocks, bonds and mortgages, and other investments as are required and allowed by the provisions of the insurance law passed February 17, 1909 (chapter 28 of the Consolidated Laws, chapter 33 of the laws of 1909), and amendments thereto and that no part of said increased capital on date of June 30, 1909 had been withdrawn, pledged or in any manner impaired, and that no part or portion thereof has been loaned or advanced to said company by any person, partnership or corporation, for the purpose of being used as such capital on the increase of the capital stock of said company. Said deponents further severally depose and say that to the stockholders appearing of record on the company's stock book at the close of business February 5, 1909 were distributed 2,500 shares of stock in the proportion of one share of new stock for each two shares of original stock held on said date and that for any fraction of a share of new stock arising upon such distribution a scrip certificate was awarded to the stockholder entitled thereto, or disposed of in accordance with the resolution adopted at a regular meeting of the board of directors held February 2, 1909, and further that at the date of such distribution the company was possessed of a surplus, over and above all liabilities in addition to its then capital stock, in excess of the dividends so declared.

Said deponents further severally depose and say that in accordance with the requirements of section 45 of the Stock Corporation Law, all stockholders of record were duly notified of the proposed increase of the company's capital stock.

And the deponents further severally depose and say that they do not know and are not informed of any matter, cause or thing, whatsoever, which in their judgment or belief can or will, in any manner or form, impair, lessen or jeopardize the original or increased capital of said company, or any part thereof; and further they say not.

WILLIAM B. JOYCE

DAVID W. ARMSTRONG, JR.

Subscribed and sworn to before me this

22d day of November, 1909.

CHARLES J. KOCH,

[L. s.] Notary Public for County of Kings.

Certificate filed in New York, Queens, Richmond and Westchester counties.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, November 16, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance.*
Albany, N. Y.

SIR.—In accordance with appointment No. 2273, hereto annexed, under date of October 25, 1909, I have made an examination of the Albany Women Teachers' Relief Association of Albany, N. Y.

The examination was made as of November 5, 1909, on which date the condition of the association was found to be as follows:

Cash in bank December 31, 1908.....	\$79 34
-------------------------------------	---------

Income from January 1, 1909, to November 5, 1909

Application fees	\$32 00	
Assessments	488 40	
Interest on bank balance.....	3 92	
	<hr/>	
Total income		524 32
		<hr/>
		\$603 66

Disbursements from January 1, 1909, to November 5, 1909

Death benefits	\$505 00	
Postage	1 00	
Printing	3 75	
	<hr/>	
Total disbursements		509 75
		<hr/>
Balance November 5, 1909.....		\$93 91
		<hr/>

Assets

Cash in bank	\$93 91
Assessments in course of collection.....	64 90
	<hr/>
Total assets	\$158 81

Liabilities

Printing	3 70
	<hr/>
Net assets	\$155 02
	<hr/>

The association was organized in the year 1886, under article VI of the Insurance Law of the State of New York. At the present time, any teacher actively engaged in teaching in the public schools of Albany and Rensselaer, is eligible to membership in the association. The membership fee is \$2. Total number of members at date of this report is 257. The assessment on the death of a member is \$1.10 for each surviving member, and the beneficiary receives as many dollars as there are members of the association at the time of said death. The additional ten cents received is for the purpose of creating a fund from which the expenses of the association shall be paid. This fund can be used for the payment of a death benefit when the sum in the

treasury shall amount to twenty-five dollars more than the sum required to be paid. The following is a list of the officers, to whom no compensation is given: Kate Stoneman, president; Ellen Sullivan, vice-president; Grace C. Klugman, treasurer; Leonora Farnham, secretary.

Respectfully submitted,

CHARLES H. GARDNER,
Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.: .

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHARLES H. GARDNER.

Subscribed and sworn to before me
this 16th day of November, 1909.

KATE F. CAHILL,

[L. s.] *Notary Public, New York County.*

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *December 1, 1909.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—Acting under your appointment No. 2213, dated July 21, 1909, and annexed hereto, we have investigated the condition and affairs of the Equitable Life Assurance Society's branch offices in France, Germany, Great Britain and Ireland.

On December 31, 1908, the Society had the following assets in these three countries:

France

Policy loans	\$1,469,688 90
Bank balances	82,228 97
Bonds (par value)	8,772,201 00
Real estate (market value)	3,357,265 00

Germany

Policy loans	\$1,167,541 53
Bank balances	53,710 03
Bonds (par value)	7,045,380 00
Real estate (market value)	2,000,000 00

Great Britain and Ireland

Policy loans	\$1,465,812 39
Bank balances	84,178 88
Bonds (par value)	521,250 00

Policy Loans

The policy loan papers were compared with the lists supplied by the society and found to be satisfactory with two exceptions. The papers for one loan in the Berlin office could not be found, neither is there any record there of the loan.

The agreement for one loan in the London office is only signed by the assured's wife, who is the beneficiary under the policy, and should also be signed by the assured.

It frequently happens that, where additional loans are made on the same policies in Europe, loan agreements are made out for the additional amount, so that there may be four or five different loan agreements on the same policy, the total of the amounts on these agreements being the total amount of the loan. The reason for this is to avoid paying a double tax on the original amount of loan. To illustrate, suppose an original loan made for \$50; at the time this loan is made a stamp is affixed for the amount of the government tax. If an additional loan of \$50 should be made later on and a new agreement made for \$100 and the old agreement cancelled, a stamp for the amount of the government tax on \$100 would have to be affixed, although the tax on the first \$50 had already been paid.

The methods adopted in these three offices for keeping account of the policy loans appeared very satisfactory.

The policy loan papers held in the Berlin office include the papers for loans made through the Vienna, Budapest, Stockholm, Christiania, Copenhagen and Hamburg offices as follows:

Berlin	\$475,261 66
Vienna	180,793 19
Budapest	132,547 12

Stockholm	\$25,704 82
Christiania	50,651 19
Copenhagen	46,536 62
Hamburg	247,046 93
	<hr/>
	\$1,167,541 53
	<hr/>

The loan papers hold in London include the papers for loans made through the society's office in India as follows:

London	\$1,442,786 22
India	23,026 17
	<hr/>
	\$1,465,812 39
	<hr/>

Deposits in Banks

The bank balances accounted for through these offices were reconciled with the books and by certificates from the banks, the amounts carried into the annual statement, being the balances in the banks on November 30, 1908, were as follows:

France

Armstrong & Company, Paris	\$3,343 37
Banque Francaise, Paris	57,498 61
Banque Suisse et Francaise, Paris	4,850 57
Credit Lyonnais, Paris	16,536 42
	<hr/>
	\$82,228 97
	<hr/>

Germany

Deutsche Bank, Berlin	\$4,411 55
Dresden Bank, Berlin	47,050 31
Reichsbank, Hamburg	2,248 17
	<hr/>
	\$53,710 03
	<hr/>

Great Britain

Bank of England, London	\$24,250 00
British Linen Bank, London	9,774 08
Union of London and Smiths Bank, Ltd., London	50,154 80
	<hr/>
	\$84,178 88
	<hr/>

Bonds

The bonds in France are all deposited with the Caisse des Depots et Consignation, and controlled by the government. In Germany, the bonds are under the control of the government, and are deposited as follows:

Par Value

Vereinsbank	\$2, 277, 809
Darlehnskasse	41, 428
Koenigliche Seehandlung	3, 850, 000
Head office for State Debts, Berlin	971, 381
Royal Minister of the Interior, Stuttgart	104, 762
	<hr/>
	\$7, 045, 380
	<hr/>

The bonds in England are deposited in the Bank of England by the society's trustees for Great Britain and Ireland and certificates were obtained from the Bank of England and the trustees regarding these bonds.

Real Estate

In Paris the society owns two separate pieces of property, which properly consist of three buildings: (1) The old office building; (2) The new office building; (3) An old building adjoining the new office building.

The old office building owned by the society is situated at 36 Avenue de l'Opera and is a six story marble and brick building acquired by the company in 1881 at a cost of \$825,000, and carried on December 31, 1908, at a market value of \$991,000, the net income being \$34,587 for 1907 and \$37,807 for 1908, the rental value of the space occupied by the company of \$5,769 being included in these figures. The building was appraised by Mr. E. Miotat for the society on October 31, 1905, at 5,135,135 francs or about \$987,526. The building was carried in the society's list of French assets reported to the French department as of December 31, 1908, at a market value of 5,000,000 francs or \$961,538, which is \$29,462 less than the market value reported to this department.

The new building is located at the junction of the Place de l'Opera, Boulevard des Capucines and the Rue de la Paix. There

is no doubt that, at the present time, this is the most desirable location in Paris for such a building. This building is a six story, with two basements, brick, steel and stone structure, just completed on land acquired by the society during the year 1901. The building occupies a piece of land the shape of a equilateral triangle with a rounded apex.

The original cost to the society of this property was \$1,691,757.56, up to October 1, 1909, the amount expended on the new building was \$811,852.08, with about \$15,000 yet to be paid, making the total cost of this building about \$2,518,609.64.

The building appears to be very up-to-date and well built, with plenty of light and air. At the time this land was acquired by the society, there were old buildings on it which were demolished to make place for the new structure.

If the society's manager for France succeeds in making leases on the basis of his present negotiations, this building will yield a good return on the money invested. Leases have been already executed for space in the new building amounting to 705,000 francs. The society expects to charge itself with 60,000 francs for the space it will occupy. It is expected that the total rental will be about 995,000 francs and the expenses about 162,600 francs, giving a net rental of 832,400 francs (\$160,077) or about 6.36 per cent. on the total cost, without allowing anything for depreciation. This piece of property (including the old building adjoining) was carried in the society's annual statement for 1908 at a cost of \$2,725,265, and a market value of \$2,366,265. They were carried in the list of French assets in the annual statement of the society to the French Department at a market value of 14,000,000 francs or \$2,692,308, which included December, 1908, payments on account of construction of the new building amounting to \$33,072.61 not included in the value reported to this department, so that on the same basis this item was carried in the French report at about \$292,970 more than in the report to this department.

The old building, No. 21 Rue de la Paix, adjoining the new office building, was purchased by the Society in 1904 at a cost of \$415,384.61, with the intention of acquiring more of the surrounding property and building an addition to the new building. The whole of this building is rented by Mr. Doucet, a tailor, who

has a lease from the former owner which does not expire until 1922. Mr. Doucet pays \$12,308 per annum, and all repairs and taxes except the mortmain tax. The mortmain tax of 1908 amounted to \$442 leaving a net rental of \$11,866 or about 2.86 per cent. on the cost price. This old building is only half the depth of the new building, and if the new building is to be symmetrically added to, it will be necessary to purchase the building on the other half of the depth fronting on the Boulevard des Capucines. The Insurance Superintendent gave his consent to the purchase of additional land in 1907, but, owing to the long leases existing on the adjacent property, the society has not yet purchased the additional land.

The society's real estate in Paris has been accepted by the Insurance Department as a deposit under the law, to the amount of 17,000,000 francs or about \$3,269,231, although no legal papers encumbering the property have been executed.

It is the intention of the society to move its Paris offices to the new building very shortly; when this is done, it will be necessary, under section 20 of the Insurance Law, for the old office building to be disposed of within five years, unless an extension of time is granted by the Superintendent of Insurance, although at the increases of 20 per cent. to 40 per cent. in the rentals being made in the new leases, the society will probably receive a better return than it could get by selling the building and investing the proceeds in investments allowed by the French law. The question also arises as to whether No. 21 Rue de la Paix should properly be considered as part of the new building and if not, whether it should be disposed of. In view of the impossibility of adding to the building until Mr. Doucet's lease expires, it may appear advisable to abandon all idea of acquiring more of the adjacent property.

The real estate in Berlin owned by the society properly consists of two separate pieces, one an office building erected by the society on land situated at the corner of Friedrich and Leipsiger streets acquired in 1886 (building completed in 1899) and the other, an old building situated at 16 Kronen street, adjoining the rear of the office building and acquired in 1890.

These two buildings were carried into the annual statement at a cost of \$1,813,079 and a market value of \$2,000,000, with a

net income for 1907 of \$74,253 and for 1908 of \$73,648.89, including a charge of \$833.28 for rental value of space occupied by the society.

The location of these buildings is very good, although the office building does not compare favorably for light and air with most modern office buildings in Berlin. The entrance halls and staircases contain a great deal of expensive marble but the interior as a whole is in need of repairs and decoration.

This building has been accepted as part of the deposit required under the German law, to the extent of 5,500,000 marks or \$1,294,118, a mortgage on it for that amount having been deposited with the Vereinsbank.

It is perhaps proper to call your attention to the fact that the insurance departments of the French and German governments and the insurance companies look upon real estate as a desirable investment for insurance companies. We gather from various sources that real estate in Paris and Berlin should yield a net return of at least 4 per cent. and frequently does yield more. The laws of France and Germany restrict very closely the class of securities life insurance companies may invest in, with the result that the net return is comparatively low, real estate giving the best. It is common for French and German companies to purchase real estate for investment purposes and many business buildings and apartment-houses in Paris and Berlin are owned by insurance companies and looked upon as their most profitable investments.

This society ceased writing "new" business in Germany, owing to the fact that some of its funds are invested in stocks, the German law prohibiting life insurance companies owning such investments from operating in Germany. The society continues to write new business in France and Great Britain and Ireland. The business in force in these countries on December 31, 1908, was as follows:

Country	No. of insurance policies and annuities	Amount of insurance
France	7, 229	\$29, 768, 550 00
Germany	4, 801	14, 776, 525 00
Great Britain and Ireland	12, 058	35, 890, 247 00

All foreign policies are issued direct from the society's head office in New York after the applications have been received there and approved, although it is customary for the foreign managers to issue binding receipts at the time the applications are secured, the applicant being insured until his application is accepted or declined from the head office.

The society has, in the past, written business in practically every European country, but at the present time is only writing "new" business in Great Britain and Ireland, France, Italy, Spain, Holland, Belgium and Russia. In those countries where no "new" business is being written it has agencies for the collection of the premiums on the business still in force.

The society owns an office building in Madrid, carried in the annual statement at a market value of \$1,195,000 and one in Vienna carried at a market value of \$1,055,000.

The following is a list of the policy loans held in the various European branch offices of the society as per the head office books on December 31, 1908:

London	\$1,465,812 39
Paris	1,469,688 99
Berlin	1,167,541 53
Madrid	746,556 17
Genoa	55,631 11
Amsterdam	218,884 19
St. Petersburg	1,117,940 79

In addition to the deposits previously mentioned, the society has bonds deposited as follows:

	Par value.	Deposited with
Austria	\$738,095 00	Staats Zentral Kassa.
Denmark	100,000 00	Privat Bank of Copenhagen.
Holland	100,000 00	A. A. Boisevain & Co.
Hungary	108,460 00	Hungarian Generale Credit Bank.
Italy	1,126,855 00	Loans & Deposits Bank.
Norway & Sweden . .	999,404 00	Part with Alfred Sjoberg and Johan Writman as trustees, and balance with Reichsbank.
Russia	8,104,818 00	State Bank.
Servia	29,922 00	Royal Minister of Economy.
Switzerland	200,270 00	Federal Department of Finance.

The society's foreign traveling auditor, Mr. E. J. Enthoven, is now engaged in auditing the accounts of the various European branch offices. He has completed an exhaustive examination of the London office and is now engaged on the Madrid office.

In addition to looking into the society's assets in these countries, we investigated the society's method of conducting its business in Europe and discussed the different government regulations with the managers. We received every assistance in our work from the society's managers and their assistants, and are particularly indebted to Mr. Percy Peixotto, the manager for France, for a digest of the present insurance law of France.

Attached to this report is a schedule of the insurance in force in all foreign countries including Canada. The amount of insurance does not include the dividend additions. It will be seen from this schedule that the society has 97,998 policies and annuities in force in foreign countries, the amount of insurance being \$276,726,001. The total insurance in force, including the United States on December 31, 1908 (excluding dividend additions) amounted to \$1,319,640,830, so that the foreign business is 20.97 per cent. of the total.

Respectfully submitted,

CHARLES HUGHES,
JOSEPH H. WOODWARD,
Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles Hughes, being duly sworn, deposes and says that the foregoing report, subscribed by him, being an amendment of the same report subscribed and sworn to by him on the 16th day of December, 1909, is true to the best of his knowledge and belief.

CHARLES HUGHES

Subscribed and sworn to before me
this 11th day of January, 1910.

[L. S.] ISAAC FULD,
Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, December 17, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—I beg to report that, in accordance with the terms of your appointment No. 2303, hereto annexed, I have completed my examination of the Buffalo Co-operative Live Stock Insurance Company, of Buffalo, N. Y., a corporation for the insurance of domestic animals, operating under the provisions of article VIII of the Insurance Law.

I find its financial condition to have been as follows on the 9th day of December, 1909:

INCOME

Assessments since organization.....	\$8,763 28
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DISBURSEMENTS

Policy claims	\$3,446 15
Commissions	2,110 13
Rent	190 50
Furniture and fixtures	30 75
Legal expenses	82 09
Advertising and printing.....	166 33
Postage, express, telegraph and telephone.....	133 87
Agency expenses	416 07
General expenses	45 86
Salaries	175 40
Total disbursements	6,797 15
Balance	\$1,966 13

ASSETS

Cash in home office.....	\$18 57
Cash in bank.....	691 45
Deposit with Telephone Co.....	12 00
Bills receivable	595 65
President's emergency fund.....	158 42
Agent's balance	472 73
Total ledger assets.....	\$1,948 82

DEDUCT ASSETS NOT ADMITTED

Bills receivable	\$595 65	
Emergency fund	158 42	
Agent's balance	472 73	
		<hr/>
		\$1, 226 80
Total admitted assets		<hr/>
		\$722 02

LIABILITIES

Policy claims:		
Due and not paid	\$267 50	
In process of adjustment	120 00	
Rejected	275 00	
		<hr/>
Total policy claims	\$662 50	
Miscellaneous unpaid bills	24 56	
		<hr/>
Total liabilities		687 06
		<hr/>
Surplus		\$34 96
		<hr/>

Books and Papers

While the company was organized in Buffalo, the three executive officers reside in Erie, Pa., and until the past month, the "General Offices" have been in Erie, Pa., the "Home Office" being under the direction of a local manager, all records, applications, policy forms and check-books being retained at the "General Offices." On or about November 23, 1909, the papers and books were moved to Buffalo, N. Y., where they were during my examination. Since the transfer of the books, no bookkeeper had been appointed and your examiner was compelled to use more or less fragmentary records in preparing the final figures of this report. To this fact he attributes the discrepancy between the ledger assets and the balance of income over disbursements, which is to be found in the financial statement made above. The cash book was compared with the ledger, and the ledger with the trial balances for various months, as a test of the accuracy of the figures. The amount of commissions was used as a check upon the total amount of premium receipts, there having been no commission on the original business at the time of organization. The payment for losses was checked by the cancelled checks.

Bills Receivable

It has been the custom of the company to accept premium notes as part payment of the first premium at the time of the taking out of a policy. The amount of these notes was \$595.65, of which \$357.13 was past due.

Emergency Fund

It has been the custom for the president to retain a sum of money chargeable to his personal account, as an emergency fund. From time to time, as charges are made for agency or traveling expenses, the bills for the same are presented and his account credited with that amount.

Agent's Balance

There is at this time chargeable to the agent at the home office the sum of \$472.73, the most of it representing premiums collected by his sub-agents and reported to him as paid, but not yet remitted to him. The entry in the cash book was dated November 17, 1909, when credit was given for premiums received and debit was made of commissions paid, the difference between the two sums being chargeable to the Buffalo agent. On the same date, credit was given for two premium notes which had been paid to the agent and the proceeds thereof were charged to the agent as "retained by him."

Premiums in Course of Collection

Your examiner has not felt warranted in giving credit among the assets for premiums in course of collection. The premium cards showed nearly \$600 of such premiums, \$275 of which were less than thirty days overdue. These premium cards were not kept in the box of live policies, nor listed by your examiner in showing the number of policies in force. The box contained 461 policies with approximately \$100,000 of insurance.

Officers and Salaries

At the annual meeting of the company, held in Buffalo, N. Y., September 7, 1909, the following directors were elected: Perry Wolf, Ripley, N. Y.; W. E. Ratz, Buffalo, N. Y.; Guy H. Fox,

Erie, Pa.; George B. Swaney, Erie, Pa.; George W. Evans, Erie, Pa.

At the subsequent meeting of the directors on the same date, the following officers were elected: Guy H. Fox, president; George B. Swaney, vice-president; George W. Evans, secretary and treasurer. None of these officers draw regular salaries, but they receive reimbursement for necessary traveling expenses and the president receives a commission of 25 per cent. on such business as is written by him personally. He has no over-riding commission on business written by others.

Organization

No examination having been made of the original applications and payments at the time of organization, I attempted to verify the same. There seem to have been fifty applications for insurance, amounting to \$10,010, and, so far as can be learned from the cash book, all of the required premiums were paid in in cash at the time of organization.

Annual Statement for 1908

I verify the annual statement of the company for the year 1908 from the ledger, except as to the items of "supplies and printed matter" and the corresponding liability of the company for "salaries and miscellaneous accounts," which is exactly equal to the sum of the ledger disbursements for "advertising and printing" and the non-ledger assets of "supplies and printed matter."

Affidavits

Appended to this report will be found an affidavit of the president, covering the original membership of the company and the present liabilities for policy claims and unpaid bills, and also, the affidavit of the local manager in Buffalo, covering the cash in office and the agent's balance chargeable to him, with an explanation of its origin.

Assessments

Section 252 of the Insurance Law provides for annual reports, which, among other things, shall show "the amount received from each assessment for the year, the number of claims for which

assessments have been made," etc. Section 254 provides that "each notice of assessment shall truly state the cause and purposes of such assessment and the amount paid on the last loss claim paid," etc. But it also provides that "the manner and mode of making such assessment * * * shall be regulated by the by-laws of the company."

The policy application in this company provides that "an assessment shall be made upon the assured at the time the policy of insurance is issued to the assured for one year's estimated cost of insurance * * * and should this assessment fail to provide sufficient funds, the company may issue an extra assessment" of not more than 2 per cent. of the sum insured. It is further provided, in the policy, that "the company reserves the right to cancel the policy, or any part thereof, by tendering to the assured the unearned premium; and the assured may cancel, in case of sale, this company retaining the customary short rates for the time the policy has been in force, and the cost of procuring said insurance."

To all intents and purposes, therefore, the policyholders pay a flat premium rate for one year, and the question is naturally raised whether, in such a case, an unearned premium fund should not be charged as a liability against the company. Common sense and equity require that some portion of the premium receipts should be held in reserve to meet the "estimated cost of insurance" for the balance of the year for which each policy is to run. The question is raised whether a company is in a sound condition when its assets are not sufficient to cover such unearned premium fund. On the basis of 37½ per cent of the premiums in force, the amount necessary for this purpose is about \$2,500. This sum exceeds the total of all amounts now due the company on account of premiums. The payment of claims that may accrue under existing policies is, therefore, in part, dependent upon the continued writing of new business and the collection of premiums therefor, or the levy of extra assessments.

Filed with this report will be found a sample policy, applications for insurance, agency contract, letter-heads, and advertising card of the company.

Respectfully submitted,

GEORGE E. TALMAGE,
Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 17th day of December, 1909.

[L. s.] ISAAC FULD,
Notary Public, New York County

STATE OF NEW YORK

AND

COMMONWEALTH OF MASSACHUSETTS,
INSURANCE DEPARTMENTS.

To the Public:

The examination of the American Credit-Indemnity Company of New York, now completed, is the first since 1904. Its conclusions seem to warrant the following summary:

This is the only company in the United States which writes credit insurance exclusively. The business, being relatively new and of such a character that it is subject to abnormal losses during and after panic years, has been somewhat experimental. Hence, the present examination has been thorough and covers the whole life of the company.

The preliminary financial statement, already given out, called attention to an impairment of capital. Such impairment, while doubtless emphasized by heavy losses due to the panic of 1907, is in the final analysis, traceable both to what seems to the examining departments to have been in the past an insufficient loss reserve, and to practices and operations, covering a period of years, which are pointed out and criticised in the report.

The impairment has been met by a reduction in the capital stock from \$1,000,000 to \$350,000; this, at a stockholders' meeting held on November 29th. Steps have been or shortly will be taken by the company, at the instance and under the supervision of the examining departments, which will make unlikely a repetition of the practices and operations to which criticism is directed.

The report calls attention chiefly to the following matters:

I. That the company's method of preparing its annual reports to the departments has resulted, not merely in its own self-deception, but, in misleading such departments as to the true condition of its affairs. Thus, the books have been annually kept open to near the 20th of January, the cash income of this period has been added to the cash on hand December 31st, while premium notes have been discounted and thus, in effect, reported as cash, and the aggregate of the premium income from policies "not taken" and the gross premiums on policies in force have been understated; thereby, of course, materially reducing the amount of the required reserves. As a result of these practices, the examiners compute that, instead of a surplus to policy-holders, on December 31, 1908, of \$1,178,090.48, as reported to the departments, the real surplus at that time, on the basis of the New York law and without loss reserves on account of policies in force was but \$618,889.50.

II. That excessive dividends have been declared throughout the period covered by the examination; attention being called particularly, however, to a dividend of 43 per cent. in 1902, seemingly for the purpose of establishing in that — the "syndicate" — year a fictitious value for the company's stock, and to one of 15 per cent. in 1908, when, a severe panic having just passed, a dividend to stockholders should not have been thought of. The examiners very properly call attention to the fact that, had the stockholders of this company received an average of 8 per cent. on their holdings, good years and bad, the impairment would have been nearly \$300,000 less than found.

III. That the impairment would have been still less by upwards of \$50,000, had it not been for commissions paid in and sundry disbursements made because of the so-called syndicate operations, the expense of which should have been borne by the syndicate managers and not by the company.

IV. That the company has made improper disbursements of various kinds, as — in advances to agents, who were earning practically no commissions, as well as in like advances to agents, that the latter might, for instance, in one case, meet his obligations to the intra-directorate syndicate, and, in another, that the money might be loaned to the company's president; also, by overdrafts paid to officers, in particular, to President Phelan, whose overdraft in 1906 amounted to upwards of \$30,000; and, also, generally, by extravagant methods of doing business — all of which criticised disbursements have materially conduced to the present impairment.

V. That, in addition to the above, the company misled the examining departments in August, 1909, by reporting an absolute sale of salvage accounts, by a sale contract which, in truth, created also a lien on the assets of the company prior to stockholders in favor of the purchasers of such salvage; and the New York department, in 1902 and 1903, by the use of affidavits not correctly stating the facts at the times when the company's capital stock was increased.

The report also brings out the results of certain transactions in 1902 and 1903, when the American Credit-Indemnity Company of Louisiana was taken over by the New York company of the same name. The purpose of this transaction while, ostensibly, to increase the working capital of the New York company, seems rather to have been to capitalize a good-will already the property of the latter company, for the benefit of the stockholders of the Louisiana company, in particular, those most largely interested in this common stock being Messrs. Phelan and Winter. This transaction, the details of which are given in the report, inured greatly to the benefit of those on the inside and, in the judgment of the departments, not at all to the New York company; indeed, to its detriment. The character and effect of this transaction as outlined in the report, have been vigorously challenged by the officers and directors of the company. While it may be conceded by the examining departments that the Louisiana corporation had certain subscription rights to the new issue of stock, the fact remains that the method employed involved a violation of section 16 of the New York Insurance Law which then, as now, prohibited one insurance company from obtaining "by purchase

or otherwise the control of another insurance company." The heads of the departments may even grant that the conclusion of the examiners, to the effect that had the Louisiana company been liquidated in the regular way and the New York company increased its capital stock in the regular way, a large fund would have been accumulated against the heavy drains of panic years, is somewhat hypothetical, yet the fact remains that from this exchange of stock transaction date the troubles of the company. While 3,000 shares of the increase of stock, late in 1902, was eagerly taken up by the public, at \$260 a share, an additional issue of 2,000 shares, in June, 1903, found few purchasers and largely remained in the hands of the syndicate which promoted it. From the time of this latter transaction, there has been a steady decline in the value of the stock, an increase in the expense account and, in spite of two or three increases in the premium rates charged, there was, at the time of the examination, a condition of impairment, showing an aggregate shrinkage in the book value of the stock not essentially different from the paper profits of the Louisiana company stockholders in 1902. Were the stockholders of the New York company to-day the same as the stockholders of the Louisiana company in 1902, the charge off of two-thirds of such stockholders' property, by the reduction of capital recently made, would seem but another evidence of the ultimate fitness of things. Unfortunately, they are not. Those who have bought in since are the sufferers, and for this the departments feel that those who managed the syndicate transactions are properly censurable. That, as the matter has turned out, the company, as an entity, suffered, is clearly demonstrable, and for this such syndicate managers are equally censurable. The history of this company is, therefore, properly detailed by the examiners, and their strictures on the conduct of the controlling officers and directors fully merited.

It should be remarked in passing, however, that though the departments consider that the exchange of stock transaction was a violation of the New York Insurance Law, it in no way affects the corporate existence of the present company, which seems to have been duly incorporated under such law in 1893.

The report also discusses certain features of the business of credit insurance brought out by an examination of the policy con-

tracts or bonds issued by the company, and its methods in adjusting losses; which seem to suggest possible modifications in such methods, and the desirability of legislative enactments concerning permitted and prohibited clauses in policy contracts of this kind, whether issued by this or other companies.

The duties of the departments would, however, be but partly performed if they did no more than to criticise the transactions and methods of this company and its officers. Accordingly, such steps have been taken as will, in the judgment of the departments, bring about a new order of things and prevent a repetition of the acts which have involved the company in difficulty, and been the subject of criticism. Compliance with the conditions imposed, which include a change in management, seem to warrant the conclusion that the company may safely continue in business.

It should, perhaps, be added that this examination has demonstrated the necessity of a careful inquiry into the methods of business of all other companies writing credit insurance, and that such inquiry will be made as soon as possible.

Dated, December 7, 1909.

WILLIAM H. HOTCHKISS,
Superintendent of Insurance.
FRANK H. HARDISON,
Commissioner of Insurance.

INSURANCE DEPARTMENTS

STATE OF NEW YORK

AND

COMMONWEALTH OF MASSACHUSETTS

ALBANY, N. Y., *December 4, 1909*

HON WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

HON. FRANK H. HARDISON, *Insurance Commissioner, Boston,*
Mass.

SIRS.—Report of the examination of The American Credit-Indemnity Company of New York, a corporation organized under

the laws of the State of New York and having its business office in the city of St. Louis, Mo., made in compliance with your directions and showing the condition of said company at the close of business August 31, 1909, is herewith respectfully submitted.

FINANCIAL STATEMENT

As of August 31, 1909

Amount of capital paid up in cash.....	\$1,000,000 00
Ledger assets as per annual statement.....	<u>\$2,983,732 43</u>
Ledger assets not including premiums in course of collection as per company's books (January 18, 1909) December 31, 1908	\$2,084,915 31
Add premiums in course of collection.....	81,120 00
Total ledger assets January 18, 1909, but shown as of December 31, 1909	\$2,166,035 31

INCOME

January 1 to August 31, 1909

Net amount premiums collected.....	\$839,067 30
Interest on bonds	\$42,680 75
Interest on premium notes.....	1,581 65
Interest on deposit in banks and trust companies	85 60
Interest on miscellaneous debts due the company	363 37
	<u>44,711 37</u>
Advances from Francis Bro. & Co.....	98,015 93
From other sources	2,284 09
Total income	984,078 69
Total	<u>\$3,150,114 00</u>

DISBURSEMENTS

January 1 to August 31, 1909

Gross losses	\$809,252 84
Deduct salvage, including \$100,000 received from syndicate of directors.....	127,322 16
Net losses	<u>\$681,930 68</u>
Legal fees	11,680 72
Commissions and other items improperly charged to commissions	233,842 78
Expense	1,812 98
Salaries	72,144 98

Traveling expense	\$7,384 18
Rents	13,692 96
Mercantile agencies	1,661 48
Taxes, licenses, etc	21,241 14
Advertising expense	7,968 38
Exchange	452 06
Printing and stationery	4,067 88
Postage	2,980 14
Telephone, telegrams, etc.	2,901 80
Miscellaneous interest items.....	2,060 19
Commission paid on account of salvage assets..	2,000 00
All other disbursements	1,107 26
<hr/>	
Total disbursements	\$1,068,929 61
<hr/>	
Balance	\$2,081,184 39
<hr/>	

LEDGER ASSETS

August 31, 1909

Book value of bonds owned.....	\$1,721,749 32
Petty cash	792 09
Cash in office	205 09
Deposits in trust companies and banks.....	3,973 62
Premiums in course of collection on policies issued prior to June 1, 1909	40,287 50
Premiums in course of collection on policies issued on or after June 1, 1909	110,094 58
Bills receivable	19,914 83
Agents' debit balances.....	31,370 26
Premium notes	93,775 41
Miscellaneous accounts	11,087 29
S. D. Winter, treasurer	3,651 69
Furniture and fixtures	44,282 71
<hr/>	
Total ledger assets	\$2,081,184 39

NON-LEDGER ASSETS

Interest accrued on bonds.....	\$18,900 82
Interest accrued on premium note (estimated)	750 00
<hr/>	
Total	19,650 82
<hr/>	
Gross assets	\$2,100,835 21

DEDUCT ASSETS NOT ADMITTED

Premium notes past due, and contingent upon adjustment of claims	\$37,856 72
S. D. Winter, treasurer, representing refund on worthless premium notes sold to Francis Bro. & Co., and endorsed without recourse, but re- paid by company and included in assets.....	3,651 69

Agents' balances	\$31,370 26	
Miscellaneous accounts	9,937 29	
Petty cash, representing expenditures not shown in disbursements	502 41	
Amounts claimed due the company and carried on its books under caption "Cash in Office".	205 00	
Furniture and fixtures	44,282 71	
Market value of bonds under book value, de- partment's valuation	31,469 38	
Premiums in course of collection on policies issued prior to June 1, 1909.....	40,287 50	
Total		\$199,562 96
Admitted assets		\$1,901,272 25

LIABILITIES

August 31, 1909

Losses and claims in process of adjustment on policies expiring prior to June 1, 1909.....	\$76,619 00	
Losses and claims resisted on policies expiring prior to June 1, 1909	75,958 50	
Losses and claims on policies expiring in June, July, August, 1909, estimated at 50 per cent. of premiums on said policies	143,049 57	
Accrued losses on policies in force August 31, 1909, estimated at 50 per cent. of earned premiums on said policies.....	357,137 90	
Gross premiums on policies in force August 31, 1909, \$1,357,- 419.94; unearned premiums thereon, pro rata	343,144 01	
Commissions due or to become due to agents or brokers on policies issued on or after June 1, 1909.....	27,523 64	
Miscellaneous accounts due or accrued	4,437 97	
State taxes due or accrued, on premiums (estimated).....	12,000 00	
Borrowed money (Francis Bros. & Co.).....	98,015 93	
Interest accrued on same	569 05	
Premiums paid in advance (100 per cent.).....	18,412 50	
Agents' credit balances	7,518 92	
Outstanding guarantees given policyholders in settlement of claims	\$73,309 33	
Estimated liability thereon	30,000 00	
Estimated liability re Salvage Agreement	46,705 48	
Total liabilities, except capital		\$1,541,152 81
Capital paid up in cash.....	\$1,000,000 00	
Impairment of capital	639,880 56	
Surplus to policyholders.....		360,119 44
Total		\$1,901,272 25

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ANALYSIS OF FINANCIAL STATEMENT AS OF
AUGUST 31, 1909

DISBURSEMENTS

The various items shown in this exhibit are the amounts taken from the ledgers of the company, and while your examiners believe there has not been a correct distribution of the disbursements to the various accounts it has not been deemed expedient for the purposes of this report to attempt to make a new distribution.

ASSETS NOT ADMITTED

Premium Notes.— It is the practice of the company to accept notes in the payment of premiums, and such notes are often taken, which by their terms are conditioned upon the satisfactory adjustment of a claim, made by the maker of the note under prior bond. If the maker of the note, who is the assured, is not satisfied with the adjustment of said claim, it is understood that he has no legal liability on said note, and the policy is cancelled from the date of issue. These notes are therefore of such uncertain value that the amount thereof, as well as the amount of premium notes past due, are disallowed as assets.

Agents' Balances.— Following departmental custom, this item has been disallowed as an asset. Agents' balances, in large sums, have been charged off, and the experience of the company demonstrates the soundness of the department's theory, that, as an asset, agents' balances are of uncertain and questionable value.

Miscellaneous Accounts.— The item "Miscellaneous Accounts" is made up of amounts representing advances to officers and employees, and is disallowed in accordance with the usual departmental practice.

Cash in Office.— This item represents \$130 due the company from an employee, and in addition thereto, \$75, the exact nature of which has not been ascertained, but it is understood that the latter amount originally represented an error made by a bank in the company's account. It is necessary to use the total of these amounts, \$205, to balance the company's books.

LIABILITIES

Unpaid Losses and Claims.—*On Policies Expiring Prior to June 1, 1909*

The amounts representing losses and claims in process of adjustment and resisted, respectively, on policies expiring prior to June 1, 1909, have been computed by your examiners from a careful examination of each claim and are believed to fairly represent what it will eventually cost the company to settle said claims.

On Policies Expiring During June, July and August, 1909.—Credit policies are issued for a term of one year, and the nature of the business, as well as the policy contract, prohibits the settlement of any loss that may occur under the policy until after the expiration of the contract. The insured has thirty days after the expiration of the policy within which to make final proof of loss, and the company has sixty days thereafter, or ninety days after the expiration of the contract, within which to adjust and pay the claim. It will, therefore, be seen that a very large percentage of the losses accruing under the policies expiring in the months of June, July and August could not of necessity be determined on August 31st, and in accordance with the custom of the various insurance departments the liability for unpaid losses and claims on policies expiring in the three months last preceding the date of this examination has been estimated at 50 per cent. of the premiums on said policies.

Accrued Losses on Policies in Force August 31, 1909.—It is incumbent upon supervising insurance officials to ascertain that companies have on hand at all times sufficient assets to cover their outstanding liabilities regardless of whether the same are at the date of the examination or statement then due or only accrued, and it therefore becomes incumbent upon the examiners to ascertain the amount of such liabilities.

The so-called "reserves" usually charged as liabilities in the financial statements of credit companies may be classified as follows:

1. "Unearned Premiums"—frequently called a "reserve" for unearned premiums and which is determined by statutory requirement.

2. "Reserve" for unpaid claims under policies expiring more than three months prior to the date of the examination or statement which is determined by estimating the probable payment to be made on each claim.

3. "Reserve" for unpaid claims on policies expiring during the three months next preceding the date of the examination or statement which by common consent has for several years been estimated to be 50 per cent. of the gross premiums on such policies.

The foregoing "reserves" represent all the liability heretofore charged credit companies on account of outstanding and expired policy contracts, and is believed by your examiners to be inadequate and for the reasons hereafter shown.

The liability on expired policies computed as indicated above will under *normal conditions* be adequate if good judgment has been used in estimating the claims on policies expiring more than three months prior to the date of the examination or statement, and the liability on expired policies may therefore be eliminated from further consideration in this connection.

Hence it becomes evident that the deficiency in the foregoing "reserves" is on account of existing policies and that the only liability heretofore charged on account of such policies is the statutory liability for unearned premiums, which is not a proper measure of the liability on existing policies for reasons hereafter stated.

In determining the amount of funds which a credit company should at all times have on hand to meet outstanding liabilities it becomes expedient to consider the following contingencies, viz.:

(a) The amount required to reinsure the policies in force.

(b) The amount required to discharge the liability by liquidation if the contracts are not carried to maturity.

(c) The amount required to discharge the liability — as "a going concern."

Each of such contingencies will be considered in the order named.

(a) Credit companies are required by the annual statement blanks on which they make their returns, to charge as a liability for unearned premiums 50 per cent. of the premiums on the policies in force at the date of the statement. It has been contended

and to a certain extent generally understood that this item represents the liability which the company will eventually be required to pay for losses and claims on policies in force at the date of the examination or statement. This theory, however, is incorrect, for the reason that by the laws of the several states such companies are required to include in their financial statements as a liability for unearned premiums on policies in force 50 per cent. of the gross premiums thereon, or the *pro rata* unearned portion thereof. The law of New York makes it mandatory upon the Superintendent of Insurance to charge this liability on a *pro rata* basis. The effect of such statutes is to require credit companies to have on hand 100 per cent. of the unearned premiums on policies in force, which is practically 50 per cent. of the gross premiums in such policies, and the statutory liability under this item is computed on the same basis as the liability for unearned premiums of fire and casualty companies. This item in the financial statements of fire and casualty companies is also supposed to and usually does represent the amount for which the company could reinsure each and every risk for the unexpired term of the policy, but it does not represent the amount a credit company would be required to pay for the reinsurance of its policies.

When the risks of a fire or casualty company are reinsured the reinsuring company accepts the liability under each policy from the date of the reinsurance, and pays all losses which occur under said policies subsequent to such date, while the ceding company pays all losses incurred prior thereto. But the peculiar nature of credit insurance precludes the reinsurance on such basis for the reason that the policy contract only covers losses sustained by the policyholder in excess of the initial loss, or the loss which is to be borne by the insured before any liability attaches to the company. In a fire or casualty company the claims are paid as they accrue, but in a credit company, as has previously been stated, the amount of the loss cannot be ascertained until after the expiration of the policy and consequently no payments are or can be made until after the contract expires.

It is thus impracticable to divide a credit policy as to payment of losses into two parts, as is done when a fire or casualty policy is reinsured, for the reason that there appears to be no practical

way of dividing the initial loss between the two companies. It would therefore appear, and is so conceded by credit underwriters, that if a credit company desired to reinsure its outstanding risks, it would be necessary to reinsure each and every risk from the date of the policy to the termination thereof, and for the reinsuring company to assume liability for all losses on such policies. The reinsuring company having assumed liability for losses on the policies reinsured from the date of their issue to their termination, it would likewise be necessary for the ceding company to pay to the reinsuring company the gross premium on its policies in force, less such commission, if any, as might be agreed upon between the ceding and reinsuring companies.

The amount thus required to reinsure the outstanding risks of the ceding company, if such reinsurance could be effected, would therefore depend upon the commission to be allowed by the reinsuring company. Assuming this commission to be 25 per cent., which your examiners believe is as large as can safely be allowed, then 75 per cent. of the premiums on policies in force would be required to reinsure the outstanding risks.

(b) More, entirely aside the reasons just advanced as seeming to require that 75 per cent. of the gross premiums on policies in force at the time of the examination or statement would be necessary to effect a reinsurance of such policies, and as therefore the measure of the company's liability, a similar result is reached if it is considered that at any time it may become necessary to cancel such contracts by liquidation. Losses thereon will have been accruing from month to month yet will not have been paid, indeed by the terms of the contract cannot be definitely ascertained or paid until sometime in the future. The law requires that approximately 50 per cent. of the gross premiums on policies in force shall be charged as a liability for unearned premiums, and this represents the amount that in case of liquidation would necessarily be returned to policyholders. This statutory provision thus takes no account of the accrued but unpaid losses on these policies in force. For this reason in accordance with departmental practice as to policies expiring during the three months last preceding the date of the examination or statement, an additional liability amounting to 50 per cent. of the earned premiums or 25 per cent.

of the gross should be charged as representing the losses accrued on such policies in force.

Hence, in case of the termination of the contracts by liquidation as well as by reinsurance, 75 per cent. of the gross premiums on policies in force is required to discharge the liability of a credit company, viz.:

(1) Return to policyholders 100 per cent. of the *unearned* premiums which is practically 50 per cent. of the gross premiums.

(2) Pay accrued claims on policies in force which are estimated at 50 per cent. of the earned premiums on such policies or 25 per cent. of the gross premiums thereon.

But it is contended that in case of liquidation of a credit company the claims which had accrued under policies in force prior to the appointment of the liquidator, would be settled by deducting from the losses sustained by the policyholder during the time the policy had been in force the full initial loss which the policyholder would have borne had there been no interruption in the contract. This contention does not appear to your examiners to be well founded, as it must be apparent that under credit policies there can be no loss to the company until the initial loss to be borne by the policyholder has been exhausted; and it is well known and admitted that there is practically no loss to the company during the first few months of the policy contract. If, therefore, the policy which is a contract for one year had been in force only one month when the liquidator is appointed, the latter should in equity be required to return to the policyholder eleven-twelfths of the premium; but if the policyholder's initial loss, which was intended to be applied to the losses of a whole year, is applied to the losses of only one month, there would apparently be no possibility of a claim under the contract, and the insured would have received no protection for one-twelfth of the premium to be retained by the liquidator. It would, therefore, appear that the only equitable method of settlement in such case would be to pro rate the initial loss; that is, the policyholder would bear one-twelfth of the initial loss and would be entitled to recover for losses in excess thereof. Otherwise, as he received no protection, the contract should be cancelled from the date thereof and the full amount of the gross premium should be returned to the insured.

(c) Still further, irrespective of the contingencies of reinsurance or liquidation, it must, for reasons previously indicated, be conceded that, as a going concern, the liability for unearned premiums and accrued losses on policies in force cannot be less than has been shown to be the liability in case of liquidation, or 75 per cent. of the premiums on policies in force.

For these reasons, your examiners have felt it necessary to charge 50 per cent. of the earned premiums on policies in force August 31, 1909, as a liability for accrued losses on such policies, the amount of such charge being \$357,137.96.

It has been contended that practically 75 per cent. of the premiums on policies in force will not be required for the payment of losses on such policies. But it must be remembered that, while the company has a liability of 75 per cent. of the gross premiums on policies in force, such liability is composed of two parts:

(1) The unearned premiums as computed by statute, which requires companies to at all times have on hand 100 per cent. of the unearned premiums on outstanding policies, which amounts to practically 50 per cent. of the gross premiums; and

(2) An amount sufficient to meet accrued losses on such policies estimated at 50 per cent. of the earned premiums on such policies or 25 per cent. of the gross premiums.

In short, while it has heretofore been overlooked, proper supervision — which looks always to adequate protection — requires that in dealing with credit insurance companies the second of these elements must be taken note of, and that, from the very nature of the business, one element bears no relation to the other.

Guarantees.— In adjusting its losses and claims, differences of opinion frequently arise between the company's representatives and the insured, as to the amount that will eventually be realized from certain insolvent debtors. The company is seemingly required to reimburse the policyholder for such loss as may be in controversy, but instead of paying the amount claimed, and taking an assignment of the debt, the company issues to the policyholder a guarantee to the effect that, if the policyholder does not eventually receive from the insolvent debtor the amount which the company claimed would be realized, the company guarantees to pay the policyholder such difference. The amount of these guar-

antees outstanding on August 31, 1909, was \$73,309.33. The estimated liability thereon is \$30,000.

Unearned Premiums.—The unearned premiums on policies in force have been computed upon a *pro rata* basis, without any deduction, as required by the laws of the State of New York.

Missing Stock Certificates.—Nine stock certificates, aggregating \$150,000, or the original capital of this company, are missing. The stubs in the certificate book are marked cancelled, and the officers of the company have furnished affidavits which satisfy the examining departments that there is no probable liability on account of said certificates.

SALVAGE AGREEMENT.

Under the law of New York credit companies are permitted to invest in, acquire, hold and collect accounts against insolvent debtors taken by assignment in settlement of losses under policy contracts. The statute, however, does not specify the basis on which such accounts should be allowed as assets, and in the annual statement for the year ending December 31, 1908, the company took credit for such accounts in assets to the amount of \$79,911.54.

This item could not be allowed under the laws of Massachusetts and the capital of the company as of December 31, 1908, having been found by the Massachusetts Insurance Department to be impaired (on the basis of Massachusetts Law), the company claimed to have sold to certain of its directors the accounts against insolvent debtors, acquired in settlement of its losses, for the sum of \$100,000.00 and advised the Insurance Commissioner of Massachusetts concerning the sale of said salvage, as follows:

(Copy of Telegram.)

“ST. LOUIS, MO., August 17, 1909.

FRANK H. HARDISON, *Commissioner of Insurance, Boston, Mass.*

We have arranged to sell our salvage accounts for ninety thousand dollars net. Money will be paid over to the Company to-day if this amount satisfies your requirements. Wire reply promptly.

A. L. SHAPLEIGH,

Chairman Finance Committee, The American Credit-Indemnity Co. of New York.”

(Copy of Telegram.)

"BOSTON, MASS., August 17, 1909.

A. L. SHAPLEIGH, *American Credit-Indemnity Company, St. Louis, Mo.*

Agreement was to contribute one hundred thousand and we have printed company's report accordingly. Agreement must be carried out both as to amount and time.

FRANK H. HARDISON,
Insurance Commissioner."

(Copy of Telegram.)

"ST. LOUIS, MO., Aug. 18, 1909.

FRANK H. HARDISON, *Insurance Commissioner, Boston, Mass.*

One hundred thousand dollars has to-day been paid American Credit-Indemnity Company from sale of salvage accounts.

A. L. SHAPLEIGH,
Chairman Finance Committee."

(Copy of Letter from American Credit-Indemnity Co.)

"Aug. 18, 1909.

FRANK H. HARDISON, *Insurance Commissioner, Boston, Mass.*

DEAR SIR.—I have to-day telegraphed you as follows:

'One hundred thousand dollars has to-day been paid The American Credit-Indemnity Company from sale of salvage accounts,' which I now beg to confirm. At the time of writing you yesterday I was not aware that definite promises had been made that the full sum of \$100,000 should be paid in to the Company.

The resignation of Mr. S. M. Phelan, former President of the Company, has been received and has been accepted, as has also the resignation of Mr. S. D. Winter, as Treasurer.

Yours very truly,

A. L. SHAPLEIGH,
Vice-President.

P. S.

I enclose you the letter of the Mississippi Valley Trust Company of St. Louis showing they have this day paid us \$100,000. Kindly return when you have finished your inspection."

(Copy of Letter from Mississippi Valley Trust Co.)

"ST. LOUIS, Mo., August 18, 1909.

American Credit-Indemnity Company, St. Louis:

GENTLEMEN.—This is to certify that we have this day paid over to you \$100,000, in connection with the sale of your salvage accounts.

Yours very truly,

JNO. D. DAVIS,

Vice-President."

Similar representations were made to the New York Department, with the additional claim that by reason of said sale and the additional amount received from salvage from December 31, 1908, to August 18, 1909, the date of the claimed sale, the company had actually received \$126,069.49 from its salvage accounts subsequent to December 31, and that the salvage owned on December 31, 1908, must on that date have been worth at least that amount; and the statement to the New York Department was amended by increasing the "Accounts owned" from \$79,911.54 to \$126,069.49 in accordance with the law of that State and on the representations of the company.

The statement was further amended by the New York Department by increasing the liability for unpaid claims on policies expiring in October, November and December, 1908, from \$236,979.57 as originally reported to \$383,641.46, the amount then believed by both departments from the representations of the company to be the actual liability on December 31st for claims on said policies.

The salvage agreement made at the time the foregoing telegrams were exchanged was, technically, a sale of the salvage accounts to the directors, for the consideration mentioned, and also established in their favor a lien upon the remaining assets of the company, subordinate to policyholders. It did not provide for any compensation or advantage to such directors for their part in the transaction; neither was there any possibility of loss to them. Such contract provides in substance that the directors shall be reimbursed for the difference between the amount received from the

salvage accounts and \$100,000, with interest thereon. The agreement also provides that the directors shall not only hold as collateral the accounts which the company owned at the date of the agreement, but shall also receive all such accounts thereafter acquired until the directors are fully reimbursed for the \$100,000 advanced and the interest thereon.

Investigation further shows that instead of paying cash for said salvage the directors executed and delivered to the indemnity company their several promissory notes, aggregating \$100,000, it being understood that the notes were to bear interest at 6 per cent. These notes were discounted by the indemnity company at the Mississippi Valley Trust Company, which, in addition to the interest stated in the notes, charged the indemnity company a commission of 2 per cent., or \$2,000, for discounting the same. The directors who thus acquired the salvage were obligated to pay the company \$100,000, and the indemnity company should have received \$100,000 in accordance with the representations made to the departments, and the terms and conditions of the agreement.

The notes were negotiated by Mr. Shapleigh, vice-president and chairman of the finance committee, who knew when he advised the Insurance Commissioner of Massachusetts under date of August 18, 1909,—

“One hundred thousand dollars has to-day been paid The American Credit-Indemnity Company from the sale of salvage accounts,”

that the trust company had charged a commission of 2 per cent., and that the same had been or was to be paid by the indemnity company.

There is also submitted herewith as an exhibit copy of an affidavit required by the New York Department made on August 24, 1909, by E. M. Treat, vice-president and secretary, and G. G. Duffee, auditor and acting treasurer, of The American Credit-Indemnity Company of New York, in which they swear that:

“The American Credit-Indemnity Company of New York received from the Mississippi Valley Trust Company of the City of St. Louis, on the 18th day of August, 1909, the sum of one hundred thousand dollars (\$100,000), said sum being the con-

sideration for sale of salvage accounts of The American Credit-Indemnity Company of New York."

The actual transactions are found to have been as follows:

August 18, 1909, "Cash" was debited for \$100,000, and credited for \$2,000, and on the same date "Salvage" was credited for \$100,000, and debited for \$2,000.

The company did receive, on August 18, 1909, from the Mississippi Valley Trust Company, \$100,000, and on the same date the company paid the trust company \$2,000, by check No. 5199, signed by A. L. Shapleigh, vice-president, and G. G. Duffee, acting treasurer, and drawn on the Merchants' Laclede National Bank of St. Louis.

The fact that the trust company passed over \$100,000, and the indemnity company at the same time passed back \$2,000, does not alter the situation, and the fact remains that the net receipts from the sale of salvage were \$98,000, and as Shapleigh and Duffee both signed the check of \$2,000 for the commission, it must be presumed that they had full knowledge of the facts in connection with the transaction.

Messrs. Shapleigh and Duffee claim that the \$2,000 thus disbursed for commissions was paid out of salvage collections previously made by the company, and not out of the \$100,000 received by such company through the transaction above outlined; and that, upon a consultation among the officers of the company, all agreed that this course would meet with the requirements of the Massachusetts Insurance Department. Your examiners, however, do not consider that this claim has any merit, as the company's cash on hand was reduced by the transaction to the extent of \$2,000.

The estimated liability under such salvage agreement August 31, 1909, was \$46,765.48.

OTHER ITEMS IN FINANCIAL STATEMENT.

The other items in the foregoing financial statement are believed to be self-explanatory.

II

PREVIOUS ANNUAL STATEMENTS

The annual statements of the company filed with the departments for several years past have shown a financial condition which did not exist.

Agreement with Departments Broken.—Early in 1904 the departments of three States examined the company, and in their report, a copy of which is herewith submitted as an exhibit, the examiners state:

“We are compelled to report that this Company kept its books open until January 12th for the entry of items affecting 1903 business. The entry of these items on the cash book affected not only the cash account of the Company, but also all of the ledger accounts. * * * * * We have the promise of the officers of this Company that in the future this will not be done.”

Notwithstanding the promise made to such “tri-state” examiners, the practice of keeping the books open until nearly or past the middle of January has been continued, and transactions involving thousands of dollars, which transactions actually took place in January, have year by year been reported in the statement as of December 31st.

Discounting of Premium Notes.—It has been the practice of the company for several years past to discount (sometimes at the rate of 8 per cent.) a large amount of premium notes in the latter part of December and to report the proceeds thereof as “cash in bank,” or to use the proceeds in part payment for bonds that would be acceptable to the various insurance departments. The only reason given by the officers in extenuation of this practice is that many of the insurance departments have objected to so large a volume of premium notes, claiming that a premium note was nothing more or less than “a premium in course of collection,” and that under the rules of the various departments, all such notes given in payment of premiums on policies written prior to October 1st should be disallowed as an asset.

The officers frankly state that said notes have been discounted in order to improve the apparent financial condition of the company.

Although the company's records show that the notes were indorsed "without recourse" they have been turned back by the bank at which they were discounted and redeemed by the company if they were not paid at maturity by the maker.

Certificates of Deposit.—Attention is also directed to the various certificates of deposit taken by said company in connection with the syndicate operations, the details of which are fully explained in other parts of this report, and especially to the fact that there was an agreement concerning one of the certificates to the effect that the *certificate might be exchanged at the close of the year for bonds which would be acceptable to the insurance commissioners of the various States, which bonds were, by said contract, to be resold to the trust company which issued the certificate immediately after the first of January.*

This matter, taken in connection with the discounting of premium notes for the express purpose of showing a smaller volume thereof than actually existed, requires no explanation by your examiners.

Annual Statement for the Year Ending December 31, 1908.—The annual statement blanks on which the company reported to the New York and Massachusetts Departments for the year ending December 31st last, and commonly known as the "Convention Edition," contained the following interrogatories:

(1) Were all the transactions of the company of which notice had been received at the home office at the close of business December 31st, truthfully and accurately entered on its books for and during the year ending on that date?

The officers answered this interrogatory: "Yes."

(2) Does this statement show the condition of the company as shown by the books at the home office at the close of business December 31st?

The officers answered this question: "Yes."

Similar interrogatories have been in the annual statement blanks used by the various departments for several years.

Books Kept Open.—Notwithstanding the sworn statement of the officers as above cited, the examiners find that the books of the company were kept open and entries made therein as of December 31st until the 18th day of January, 1909; and further find that

said statement of said company did not show its financial condition even as of January 18, 1909.

Premium Exhibit Incorrect.— Under the caption of "Income" in the annual statement, the company reported the gross premiums on policies written or renewed during the year as \$1,473,256.23. This item should have been reported as \$2,085,218.42. The company shows the premiums on policies not taken as \$46,625. This item should have been reported as \$658,587.19. The amount returned by the company under the caption of "Premiums on policies not taken" as \$46,625, represents the amount of the premiums in course of collection December 31, 1907, which were not collected during 1908. The only reason apparent to the examiners for this situation is that the company did not wish to show so large a volume of "not taken" policies.

Bonds Not Owned December 31, 1908.— The annual statement shows that on the 31st day of December, 1908, said company acquired by purchase and then owned free and clear of all liens, claims and encumbrances, \$50,000 par value of the St. Louis, Memphis & Southeastern R. R., first mortgage 4½ per cent. bonds, maturing in 1909. While the bonds were contracted for on the 31st day of December, the final payment thereon was not made until the 19th day of January, 1909, the day following the date on which the books were closed. (Copies of vouchers and checks in connection with this transaction are herewith submitted as exhibits.) In other words, the company included in its assets, on the 31st day of December, bonds not owned, possessed, nor paid for, and did not show any liability thereon. Subsequent to December 31st and prior to the date on which the books were closed, the company gave in payment for said bonds premium notes of a face value of \$16,812.50, which notes were endorsed without recourse, but for the payment of which the company was liable, and \$33,437.50 in cash. The effect of this transaction was not to increase the assets, but to exchange premium notes and cash for an asset that would be more acceptable to the various insurance departments, but which asset had not been paid for on December 31, 1908.

1909 Income Entered as of 1908.— In the annual statements to the departments, the company reported that the cash in office and banks amounted to \$143,418.15. The actual cash balance of the

company on December 31st was \$85,944.50, and your examiners find that \$89,000.95 of the cash income of 1909 was entered on the company's books as of December 31st and included in its annual statement. The only true record which the company has of its cash on hand and in banks on December 31, 1908, is a small book kept by the cashier called "Bank balance," an extract from which is herewith submitted as an exhibit.

Ledger Assets Not Correct.—The total ledger assets of the company on December 31st, as shown by its annual statements filed with the departments, amounted to \$2,083,732.48, not including "Premiums in course of collection" which are carried on the company's books as a ledger account. The ledger assets as shown by the ledgers when the books were closed January 18, 1909, as of December 31st, amounted to \$2,084,915.31, a discrepancy of \$1,182.83 against the company.

Agents' Balances Charged off.—The annual statement of the company filed with the departments shows that no agents' balances were charged off during the year 1908. The books of the company show that such statement is not in accordance with the facts.

Liabilities Understated.—The gross premiums on policies in force December 31, 1908, were reported by the company in its statements to be \$1,240,271.34. Your examiners find that the gross premiums on policies in force on December 31st were \$1,427,876.69, or \$187,605.35 more than shown by the company.

The company reported the unearned premiums thereon, on a 50 per cent. basis, to be \$620,135.67. Your examiners find that the unearned premiums on a 50 per cent. basis should have been reported as \$713,938.34, or \$93,802.67 more than shown by the company. On a *pro rata* basis, as required by the law of the State of New York, the unearned premiums on policies in force amounted to \$779,252.51, or \$159,116.84 in excess of the amount reported in the company's statement.

Reserve on October, November and December Expirations.—The company reported in its statement that the premiums on policies which expired in October, November and December, 1908, amounted to \$474,853.08, and in accordance with the requirements of the annual statement blanks charged for unpaid losses on such policies 50 per cent. of the premiums thereon, or \$236,979.57. Your examiners find that the premiums on such policies

amounted to \$470,985.73; this difference being in favor of the company, but the estimated liability for unpaid losses on such policies was inadequate. Investigation shows that from December 31, 1908, to October 14, 1909, the company paid on account of claims under such policies \$446,569.26. The liability for unpaid claims under such policies on the latter date, was estimated by the officers of the company to be \$15,950, making the total liability on December 31st on account of its policies expiring in October, November and December, 1908, \$462,519.26, or \$225,539.69 more than the liability shown in the company's statement.

Liability on Policies Expiring Prior to October 1, 1908.—In the annual statements to the departments the company reported a liability of \$59,657.26 for losses on policies expiring prior to October 1, 1908. An examination of the cash books of the company shows that it has paid since December 31st on account of claims under such policies \$147,303.82, and the estimated liability for unpaid claims thereon is still \$73,367.50, making a total liability on said account on December 31st of \$220,671.32 instead of \$59,657.26 as reported by the company.

Miscellaneous Accounts Due or Accrued.—In its statements the company originally reported that it had no liability for "Salaries, rents, expenses, bills, accounts, fees, etc., due or accrued." The Massachusetts statement was subsequently amended and \$500 was included as a liability on account of these items. An examination of the cash books of the company shows that on December 31st last the total of these items was \$13,530.48.

Capital of the Company Impaired.—Assuming that the gross assets of the company were as shown by its annual statement to said departments, it is found that had the company reported its actual liabilities on December 31st, instead of a surplus of \$178,090.48 as shown by the statements, there would have been an impairment of capital of \$381,110.50 on the basis of the New York law, and an impairment of \$493,280.97 on the basis of the Massachusetts statutes.

Annual Statement of December 31, 1908.—For more convenient reference the assets and liabilities as of December 31, 1908, are herewith submitted in tabular form.

ASSETS

Gross assets claimed by the company December 31, 1908
per annual statements \$2,256,604 00

Deduct assets not admitted by New York Department, viz.:

Bills receivable	\$19,851 74
Furniture and fixtures	43,821 30
Book value of bonds over market value	32,596 83
Premium notes past due	2,738 94
Agents' balances	23,647 83

Total	122,656 64
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Assets admitted by New York Department.....	\$2,133,947 38
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Gross assets as above	\$2,256,604 00
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Deduct assets not admitted by Massachusetts Department, viz.:

Bills receivable	\$19,851 74
Furniture and fixtures	43,821 30
Premium notes past due	2,738 94
Agents' balances	23,647 83
Book value of bonds over market value.....	35,021 83
Accounts purchased on payment of losses	79,911 54
Uncollected premiums disallowed on policies written after October 1, 1908, less unearned premiums and commissions thereon	19,833 84

Total	224,827 02
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Assets admitted by Massachusetts Department.....	\$2,031,777 00
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LIABILITIES

	Actual	As reported by company
Unpaid losses on policies expiring prior to October 1:		
Paid on above since December 31,		
1908	\$147,303 82	
Unpaid	73,367 50	
	\$220,671 32	\$59,657 26
Reserve for losses on policies expiring in October, November, December:		
Paid on above since December 31,		
1908	\$446,569 26	
Unpaid, company's estimate	15,950 00	
	462,519 26	236,979 57

Unearned premiums (see note)	*\$779,252 51	†\$620,135 67
Commission on premiums written on or after October 1	16,586 90	16,586 90
Taxes due and accrued	19,732 50	19,832 50
Advance premiums, 100 per cent.....	2,735 00	2,765 00
Miscellaneous accounts due and accrued.....	13,530 48	.....
	<u>\$1,515,057 97</u>	<u>\$955,856 90</u>

ASSETS AND LIABILITIES ON NEW YORK BASIS.

Assets admitted by New York Department as above.....	\$2,133,947 38
Actual liabilities as above	\$1,515,057 97
Capital	\$1,000,000 00
Impairment by New York Department.....	381,110 59
Surplus to policyholders as allowed by New York Department	618,869 41
Total	<u>\$2,133,947 38</u>

ASSETS AND LIABILITIES ON MASSACHUSETTS BASIS

Assets admitted by Massachusetts Department, as above....	\$2,031,777 00
Actual liabilities as above	\$1,515,057 97
Capital	\$1,000,000 00
Impairment by Massachusetts Department ...	493,280 97
Surplus to policyholders as computed by Massachusetts Department	516,719 03
Total	<u>\$2,031,777 00</u>

ASSETS AND LIABILITIES AS SHOWN IN COMPANY'S STATEMENT

Admitted assets claimed by company.....	\$2,133,947 38
Liabilities per annual statement as above.....	\$955,856 90
Capital	\$1,000,000 00
Surplus over all liabilities, per annual statement	178,090 48
Surplus to policyholders per annual statement.....	1,178,090 48
Total	<u>\$2,133,947 38</u>

* Pro rata.

† Amount reported by company on 50 per cent. basis. Actual liability on same basis was \$713,938.34.

Premium Notes Endorsed "Without Recourse."—A large amount of premium notes was discounted in the latter part of December, 1908, or early in January, 1909, prior to the date on which the books were closed, by Francis Bro. & Co. and said notes were endorsed "without recourse." Your examiners learn, however, that there was an understanding between certain officers of said company and the firm of Francis Bro. & Co. to the effect that if said notes were not paid at maturity the company would reimburse Francis Bro. & Co. for the amount of such defaulted notes, and notwithstanding the endorsement "without recourse" such reimbursement was made. The only apparent reason for endorsing the notes without recourse was to enable the company to state to the various insurance departments that there was no possible liability on the part of the company on account of the nonpayment of any of said notes by the makers thereof.

As the tri-state examiners well stated in their report, keeping the books open until into January affects practically every ledger account, and most of the items of income and disbursements as well as ledger assets and ledger liabilities, in the annual statement, have been affected by such procedure. The accounts of the company are so involved that your examiners have been unable to ascertain the condition of the company as it actually existed at the close of business December 31st last.

Annual Statement for the Year Ending December 31, 1902.—In establishing the condition of the company as of December 31, 1902, your examiners have used amounts which the experience of the company, subsequent to December 31, 1902, demonstrates are the correct amounts and in making up the statement as of December 31, 1902, the same tests have been applied as were applied in the statement as of December 31, 1908.

Attention will be called in another part of this report to the increase in the capital stock of the company in December, 1902. The surplus of the company on December 31, 1902, as shown by its statement to the New York Department, was \$295,032.28. The liabilities of the company, other than for capital, as reported to said department, amounted to \$756,596.64. The actual liabilities on said date exclusive of capital were \$1,128,087.21, and the capital of said company was therefore impaired after said increase

in capital, on the basis allowed by the New York Department, to the amount of \$76,458.29, while the impairment on such date, on the basis required by the laws of Massachusetts, was \$121,174.20. A copy of the assets and liabilities on such date as found by the examiners, is herewith submitted as an exhibit.

III

CAUSES CONDUCTING TO PRESENT CONDITION

The financial statements already discussed, together with the fact that this company was impaired as early as December 31, 1902, suggested the propriety of an investigation of the whole history of the company, as well as of one organized in Louisiana, in an effort to determine the causes which have resulted in present conditions, and thereby, if possible, the means which must be employed toward meeting those conditions. Such investigation, the salient facts developed by which are hereinafter detailed, seems to suggest that the present depletion of its treasury is due to the following causes.

EXCESSIVE DIVIDENDS

Forty-three per cent. in 1902.—The New York company declared its first dividend June 30, 1900. From that time until March 1, 1908, dividends were declared each year at more or less regular periods. The directors of the company, who were also the directors of the Louisiana company and who, as will subsequently appear, must have known of the plans to float a large amount of the New York company's stock, in 1902 declared dividends on the then issue of such stock which aggregated 43 per cent. for that year. It may be suggested that such dividends largely contributed to the impaired condition of the company at the end of that year, as previously found in this report.

Fifteen per cent. during Panic of 1907-8.—Further, the directors of the New York company—all men of large means and wide experience in commercial affairs, and who certainly were well aware that a panic such as existed in the latter part of 1907 and the early part of 1908 would result in enormous losses to merchants and, consequently, to the company of which they were

directors—in January, 1908, declared a 15 per cent. dividend to stockholders; thereby depleting the already depleted treasury of this company to the extent of \$150,000.

Three Hundred and Fifty Thousand Dollars to Beneficiaries of Exchange of Stock.—Of the \$812,000 disbursed by this company in dividends, \$350,000 has been paid in dividends on the stock which was issued in exchange for the stock of the Louisiana company.

Table of Yearly Dividends.—The following exhibit shows the dividends declared and paid:

DECLARATION OF DIVIDENDS

Declared.	Payable.	Per cent.	From earnings of.	Amount
<i>On \$200,000 Capital:</i>				
9% June 30, 1900	July 2, 1900	6% — 6 months ending June 30, 1900		\$12,000
Oct. 16, 1900	Oct. 31, 1900	3% — 3 months ending Sept. 30, 1900		6,000
14% Jan. 15, 1901	Feb. 1, 1901	6% — 3 months ending Dec. 31, 1900		12,000
April 18, 1901	May 1, 1901	5% — 3 months ending Mar. 31, 1901		10,000
July 16, 1901	Aug. 1, 1901	3% — 3 months ending June 30, 1901		6,000
43% Jan. 21, 1902	Feb. 1, 1902	20% — No period specified.		40,000
April 15, 1902	May 1, 1902	20% — 3 months ending Mar. 31, 1902		40,000
July 15, 1902	Aug. 1, 1902	3% — 3 months ending June 30, 1902		6,000
<i>On \$800,000 Capital:</i>				
10% April 21, 1903	May 1, 1903	5% — No period specified.		40,000
July 21, 1903	.....	5% — 3 months ending June 30, 1903		40,000
<i>On \$1,000,000 Capital:</i>				
5% Oct. 20, 1903	Nov. 2, 1903	5% — 3 months ending Sept. 30, 1903		50,000
5% Jan. 19, 1904	Feb. 1, 1904	5% — 3 months ending Dec. 31, 1903		50,000
10% Feb. 10, 1905	Mar. 1, 1905	10% — No period specified.		100,000
10% Jan. 19, 1906	Mar. 1, 1906	10% — No period specified.		100,000
15% Feb. 15, 1907	{ 3% quarterly from March 1, '07, 12% March 1, extra 3% }		All out of earnings of 1906.	120,000
				30,000
15% Jan. 21, 1908	{ 3% quarterly from March 1, '08, 12% extra, Mar. 1, '08 3% }		All out of earnings of 1907.	120,000
				30,000
Total.				<u>\$812,000</u>

EXCHANGE OF STOCK

The New York company is the outgrowth of the Louisiana company. Both companies were managed and controlled by the same people, and the affairs of the two corporations were so closely interwoven that a proper examination of the New York company necessarily involves its transactions with and relations to the Louisiana company.

The Louisiana Company.—This company was incorporated on September 9, 1891. Its objects and purposes were "to indemnify persons, firms or corporations engaged in mercantile or commercial pursuits in the United States and other countries for losses entailed through the extension of credit to various and sundry parties who may subsequently become insolvent." Its authorized capital stock was \$500,000, divided into 5,000 shares, 3,000 of which were preferred and 2,000 common. The charter of the company provided that the common stock should be excluded from participating in profits until the preferred stock should have enjoyed a preferential cumulative dividend at the rate of 8 per cent. per annum. The charter also provided that the common stock should be nonassessable and should have the same voting power as the preferred stock. The preferred stock was paid for by cash, in installments. The common stock was voted to Sidney M. Phelan and Samuel D. Winter, respectively president and treasurer of the company, and who were the promoters and organizers of the same.

Proxy Voting by Directors.—Immediately following the organization of the Louisiana company, its directors held a meeting, at which two directors were present in person and five by proxy. The directors so present were Sidney M. Phelan and William H. Renaud. The minutes of this meeting show that, on motion of Mr. Renaud, seconded by a director represented by proxy, Mr. Phelan was unanimously elected president, and that, thereafter, on motion of another director represented by proxy, seconded by a director represented by proxy, Mr. Renaud was unanimously elected vice-president. Similar action by directors not present but voting by proxy resulted in the election of Mr. Winter as treasurer. But the most important action of this dummy meeting was the voting, on motion of Mr. Renaud, seconded by a director voting by proxy, of the entire common stock of this company to Mr. Phelan — three-fourths — and to Mr. Winter — one-fourth — in payment for their plane and the method and system under which the company was to be operated. A majority of the stock thus acquired was, two years later, exchanged, share for share, by Mr. Phelan and Mr. Winter for the stock of the New York company, which was then selling for \$260 a share. On the 972 shares of the common stock then owned by him, Mr. Phelan thus made a profit

of \$175,392, on the basis of the book value of the Louisiana stock at that time and the then market price of the New York stock, or a profit of \$252,720 on the cost price of the Louisiana stock. Upon the same basis, Mr. Winter, who exchanged 208 shares of the common stock of the Louisiana company for a like number of shares of the New York company, made a profit of \$37,648, on the basis of the book and market values of the two stocks, or a profit of \$54,080 on the basis of the cost of the Louisiana stock.

Organization of the New York Company.— This company was incorporated under the insurance law of the State of New York on April 28, 1893, and commenced business on May 1st of the same year. Its authorized capital stock was \$150,000; the certificates of such stock being issued to various individuals and, as stated by Mr. Winter and others, assigned in blank and deposited with the treasurer of the Louisiana company, that company paying into the treasury of the New York company the sum of \$150,000. Subsequently and on May 19, 1896, the Massachusetts law requiring companies of this character to have a capital of \$200,000, the New York company increased its capital to that sum, and the certificates representing such increase were issued to various individuals and by them assigned in blank and turned over to the treasurer of the Louisiana company, who paid therefor into the treasury of the New York corporation the sum of \$50,000, which amount was indirectly borrowed from the latter corporation. As a result of these transactions, the Louisiana company became the sole owner of the capital stock of the New York company.

The promoters of the former companies and their associate directors thus controlled the two corporations, one of which — organized in Louisiana — was not organized under an insurance law but was organized as an insurance company to do an insurance business; and the other of which was organized — in New York — as an insurance company. Under date of March 17, 1896, *i. e.*, practically coincident with the increase in its capital stock so as to meet the requirements of the Massachusetts statute, the directors of the Louisiana company voted to stop writing business, and thereafter became, in substance, merely a holding company for the stock of the New York company.

The Company's Explanation of These Transactions.—In a statement furnished your examiners by Mr. Winter, and which purports to explain the reasons for the organization of the Louisiana company, it is claimed that at the time of such organization none of the States had laws permitting the organization of credit insurance companies, and that, at the time of the organization of the Louisiana company, it was neither anticipated nor contemplated that it ever would come under the insurance laws. Mr. Winter further calls attention to the New York law of 1892, and states that, under that statute, the Louisiana company shortly after its organization found itself confronted by a serious condition, on account of its preferred and common stock features, and was, therefore, forced either to abandon the more fertile field of its most recently acquired business — the Eastern and Middle States — or meet the situation.

Your examiners are unable to harmonize the statements of Mr. Winter with chapter 611 of the Laws of New York, enacted June 10, 1886, or more than five years prior to the organization of the Louisiana company, which statute provided for the organization of credit insurance companies, and was in full force and effect at the time of the incorporation of the Louisiana company.

Such New York statute did not, however, as your examiners understand, permit the incorporation of a credit insurance company, with common and preferred stock, a part of which could be exchanged for the plans and methods of the promoters; but such result was indirectly accomplished by incorporating the Louisiana company, issuing common stock in payment for such plans and methods, and, subsequently, exchanging such stock for the stock of the New York company.

Debts of the Louisiana Company.—During the period which the Louisiana company acted as a holding company, it borrowed from various banks and the New York company large amounts for the payment of dividends and expenses. This practice brought the corporation heavily in debt to the American Exchange Bank of St. Louis, and in December, 1901, it apparently became necessary for the indebtedness to that bank, then amounting to about \$128,000, to be liquidated. For this purpose the directors of the Louisiana company passed a resolution authorizing the cor-

poration to execute seven notes for \$20,000 each to each of its seven directors, said notes being secured by the stock of the New York company then in the treasury of the Louisiana company. The notes of the company bore interest at the rate of 8 per cent. per annum and were discounted by the officers of the Louisiana company at the Colonial Trust Company in St. Louis at the rate of 5 per cent. per annum, and the excess interest, or 3 per cent. per annum, was paid to the directors monthly. From January, 1902, to March, 1903, each of the directors received on account of this transaction \$513.31, making a total expenditure of the Louisiana company for excess interest \$3,593.17, which expenditure ultimately came from the treasury of the New York company. It is obvious that at the time of the loan by the board of directors \$140,000 was not needed for the purpose for which it was borrowed, but the balance of said loan after the payment of indebtedness to the bank was deposited in the Colonial Trust Company to the credit of Shapleigh and Winter as trustees and was subsequently disbursed by them, to some of which disbursements the examiners make objections. At the time of this loan by the directors, Mr. Phelan, then president of both indemnity companies, was a director of the trust company, and the president of the trust company was then director of both indemnity companies. In view of the close relations which existed between the indemnity companies and the Trust Company, and the fact that by this transaction the entire assets of both indemnity companies were pledged to secure the payment of a loan of \$140,000, there would appear to be no necessity for the individual endorsement of the directors or the payment to them of 3 per cent. per annum for such endorsement. At the date on which the stock of the New York company was exchanged for that of the Louisiana company the balance due on the \$140,000 loan amounted to \$125,018.14, which debt was subsequently paid by the New York company.

On the 6th day of February, 1903, the directors of the New York company passed a resolution reciting, in substance, that the Louisiana company "is the owner of valuable rights, franchises, forms and methods for use in the business of conducting credit insurance," and that the New York company is "desirous of acquiring the aforesaid rights, franchises, forms and methods," and that "a proposition has been made by the liquidators of the Louis-

iana company to sell to this company the aforesaid rights, franchises, forms and methods for \$125,018.14;" and the resolution authorized and directed the treasurer of the New York company to purchase such rights, franchises, forms and methods from the liquidators of the Louisiana company, which, the resolution recites, had an estimated value of \$200,000, "at and for the sum of \$125,018.14, to be paid in such sums and at such dates as may be hereafter agreed upon with such liquidators."

It will be noted that the amount specified in the foregoing resolution is the exact amount of the indebtedness of the Louisiana company at about the time its stock was acquired by the New York company, and your examiners find that, four days prior to the passage of such resolution by the board of directors of the New York company, such company had paid substantially the entire amount specified in the resolution in discharge of the debts of the Louisiana company, and by such payment had taken from the trust company the stock of the New York company which the trust company then held as collateral to such debt. Your examiners find, further, that, notwithstanding the resolution in question recites that a proposition has been made by the liquidators of the Louisiana company, there were, at the time such resolution was passed, no liquidators of the Louisiana company, and, in fact, the Louisiana company did not vote to liquidate and appoint commissioners therefor until nearly six weeks after the passage of such resolution.

The business of the Louisiana company had been transferred to the New York company more than five years prior to the passage of this resolution and during such period the Louisiana company wrote no business. It must, therefore, be apparent that, when the directors of the New York company passed such resolution, they well knew that the Louisiana company had no rights, franchises, forms and methods that could at that time have been of any value to the New York company or anyone else. Indeed, it is now admitted by the officers of the New York company that the money was never intended to be used for the purpose specified in such resolution. Further, the New York company was not, by the laws of that state, permitted to invest any of its funds in copyrights, plans, forms, blanks and statistical tables, as is shown by an opinion of the Attorney-General of that state.

Condition of the Two Indemnity Companies at the Date on which the Stock was Exchanged.—Practically the only assets of the Louisiana company of any value at the date on which the stock of the New York company was exchanged for the stock of the Louisiana company were the 2,000 shares of the stock of the New York company then in the treasury of the Louisiana company which had nearly six years prior to said exchange transferred all of its insurance in force to the New York company. At the time of said exchange, the New York company was a going concern, duly authorized to transact business in several States, but having a limited capital. A plan was therefore devised and put before the public with an alluring and misleading circular, which plan while announced as intending to supply the New York company with needed capital, seems to have had as its chief object the liquidation of the Louisiana company, not in the ordinary way by realizing on its assets, paying its debts, and distributing the balance to its stockholders, but by the unusual way of exchanging 5,000 shares of the new issue of the New York company for the 5,000 shares of the Louisiana company, which was represented only by 2,000 shares of the New York company, and which 2,000 shares were subject to debts of the Louisiana company, amounting to \$125,018.14.

Exchange of Stock.—At the time such exchange was effected, the insurance law of the State of New York provided the manner in which the capital and the funds of domestic insurance companies should be invested, and, further, provided that:

“No such funds shall be invested in or loaned on its own stock or the stock of any other insurance corporation carrying on the same kind of insurance business”;

and, also, provided that nothing contained in said statute:

“shall be held to authorize one insurance corporation to obtain, by purchase or otherwise, the control of any other insurance corporation”.

Your examiners find that, by such exchange and transactions incident thereto, the New York company did:

First. Use a portion of its capital stock in acquiring the stock of another insurance corporation carrying on the same kind of insurance business;

Second. Obtain, by purchase or otherwise, the control of the Louisiana company and all of its stock, which stock it now has in its possession;

Third. By acquiring the stock of the Louisiana company, indirectly invest its funds in 2,000 shares of its own stock; and

Fourth. Purchase for cash, twenty-five shares of its own stock, and use such shares in part settlement of the Hurst suit, which transaction is fully discussed in a subsequent paragraph.

Whether the transactions of the New York company relating to the exchange of its stock, as above set forth, were in violation of the statute of the State of New York is left for your consideration.

Your examiners are advised by the officers of the company that the exchange of such stock was made in accordance with advices of its counsel.

Effect of Increase of Capital on Surplus.—The apparent increase in the surplus from this issue of 6,000 shares of new stock in 1902 was \$150,000; but from this amount should be deducted the debts of the Louisiana corporation and the cost of acquiring the Hurst stock, aggregating \$132,917.24, making the net increase in surplus on account of said issue \$17,082.76, which increase was subject to certain subsequent expenditures not included in the foregoing computation.

What the Surplus Should Have Been on Account of the Increase in Capital.—Had the 6,000 shares of new stock been sold at \$260 per share, the price at which the 3,000 shares were sold, the company would have received therefor \$1,560,000 and \$960,000 of this amount would have been carried to surplus account. But it is contended by the officers of the company that the 6,000 shares could not then or subsequently have been marketed at \$260 per share. This contention cannot be accepted by your examiners, as it should be remembered that 3,000 shares were subscribed for by the stockholders of the Louisiana company at \$260 per share and the same 3,000 shares were underwritten by the syndicate at the same price. If, therefore, the subscribers and the syndicate were each willing to take 3,000 shares, it would appear that the whole issue of 6,000 shares could have been marketed at that price.

Result if but 3,000 Shares Had Been Issued.—However, the fact remains that 3,000 shares were marketed at \$260 per share and

eagerly taken by the people entitled to subscribe thereto. Hence, if instead of issuing 5,000 shares to be exchanged for the stock of the Louisiana company, the company had issued only 3,000 shares at \$260, the price at which 3,000 shares had been subscribed, the corporation would have received in its treasury \$780,000; would have avoided the payment of a commission of \$30,000 to the Trust Company; would have avoided the payment of the debts of the Louisiana company, amounting to \$125,018.14; would have avoided the cost of the Hurst suit, amounting to \$7,899.10, and would, after the transaction had been completed, have had outstanding a capital of only \$500,000 instead of \$800,000. The effect of such a transaction would have been to increase the assets \$30,000 and to decrease the liabilities \$432,917.24, or a net gain to the company of \$462,917.24, and in addition to the gain to the company at the time of the exchange, it would have paid dividends on only \$500,000 of stock instead of \$800,000 and the saving in dividends would at the present time amount to \$210,000.

It will, therefore, be seen that had either of the foregoing courses been pursued the company would not now be in an impaired condition. But by either of these methods there would have been no gain to the stockholders of the Louisiana company to the detriment of the New York corporation, its present stockholders and the insuring public.

Result had the Louisiana Company Liquidated.—Had the Louisiana company liquidated in the usual way by first paying its debts and then distributing to those entitled thereto the remaining assets, its stockholders would have received about \$79 per share whereas by the exchange they received stock of the New York corporation selling in the market at that time at \$260 per share.

The Hurst Case.—At the time of this exchange, Henry Hurst of Memphis, Tenn., owned thirty shares of the stock of the Louisiana company, and after the officers of the New York company had acquired all the other stock of the Louisiana company by exchanging share for share, Hurst refused to accept the stock of the New York company in exchange for the stock of the Louisiana company, share for share, and brought suit in a Louisiana court, claiming that the proceedings relating to the

liquidation of the Louisiana company had been irregular and were invalid and asking that a receiver be appointed and the affairs of the corporation liquidated in accordance with the statutes of that State. The New York company having, prior to said suit, without due authorization, taken possession and disposed of the assets of the Louisiana company, and having paid the debts of that corporation, it apparently became necessary to make a settlement with Mr. Hurst on the best terms possible. After the case had been assigned for a hearing, the matter was settled by giving Hurst fifty-five shares of the stock of the New York company in exchange for the thirty shares of the stock of the Louisiana company which he held, and in addition thereto, \$1,000 for attorney's fees and \$36.60 for court costs. In order to give fifty-five shares of the stock of the New York company in exchange for Hurst's thirty shares of the stock of the Louisiana company, it became necessary for the officers of the New York company to acquire twenty-five shares of its own stock, which it did by purchasing the same from S. D. Winter, then treasurer of the New York company, at \$270 per share, which is \$10 per share more than Mr. Winter paid on the following day for fifteen shares of stock purchased through a local broker.

The petition or bill of Henry Hurst in the Louisiana court proceeding is submitted herewith as an exhibit.

SYNDICATE OPERATIONS

The exchange of stock was coincident with what will hereafter be called the first syndicate transaction.

First Syndicate Transaction.—When it was decided to increase the stock from \$200,000 to \$800,000 by the issuance of 6,000 new shares, it was also a part of the plans, although not a matter of official record, to sell the stock of the New York company which the Louisiana company then owned, acquired by virtue of such exchange, thus making 8,000 shares to be disposed of — 5,000 by the exchange previously mentioned and 3,000 to be marketed. About that time, an underwriting syndicate of twenty people, holding about three-fifths of the 5,000 shares of the Louisiana Company and six of whom were directors of both indemnity companies and a majority thereof, was formed for the purpose of

underwriting the 3,000 shares which were to be marketed. As a part of the plan relating to the proposed increase in capital, each stockholder in the Louisiana company was given the right to subscribe for three-fifths of a share of stock in the New York company for each share of the Louisiana company which he then held, and the syndicate subscribers previously mentioned obligated themselves to take the whole or any part of the 3,000 shares to be marketed which were not taken by the people entitled to subscribe therefor and also obligated themselves to pay to the committee of the Indemnity Company \$260 per share. The syndicate subscribers were represented by a committee, consisting of two of the directors of the New York company who were also directors of the Louisiana company and the vice-president of the Mississippi Valley Trust Company, which contracted with the syndicate subscribers to finance the deal. In order to show the triple capacity in which the officers of both indemnity companies acted in connection with this transaction, the names of the officers of the Louisiana company and of the New York company and a partial list of the subscribers to the syndicate agreement are herewith given, in parallel columns.

Directors Louisiana Co. December, 1902.	Directors N. Y. Co. December, 1902.	Syndicate Subscribers. December, 1902.
S. M. Phelan, Jonathan Rice, A. L. Shapleigh, Sam'l M. Kennard, Clark H. Sampson, Samuel D. Winter, E. M. Treat,	S. M. Phelan, Jonathan Rice, A. L. Shapleigh, Sam'l M. Kennard, Clark H. Sampson, Samuel D. Winter, E. M. Treat, A. B. Treat, W. I. Westervelt.	S. M. Phelan, A. L. Shapleigh, Sam'l M. Kennard, Clark H. Sampson, Samuel D. Winter, E. M. Treat, And fourteen others, each subscriber sub- scribing for 150 shares.
Officers (Elected.)	Officers: (Elected.)	
S. M. Phelan, <i>Pres.</i> ,	S. M. Phelan, <i>Pres.</i> ,	
A. L. Shapleigh, <i>V. P.</i>	A. L. Shapleigh, <i>V. P.</i>	
S. D. Winter, <i>Treas.</i>	S. D. Winter, <i>Treas.</i>	

Certain Directors make a Contract with Themselves as Syndicate Managers.— While there was no authorization by the board of directors, it appears from the documents herewith submitted as exhibits that Samuel M. Kennard and A. L. Shapleigh, who were then directors of both indemnity companies, and Breckenridge Jones, who was at that time vice-president of the Mississippi Valley Trust Company, constituted a committee representing:

First. The New York company in the sale of its stock.

Second. The syndicate subscribers in the purchase of said stock.

Third. The syndicate subscribers in contracting with the trust company to finance the syndicate.

The syndicate agreement as well as the contract between the syndicate subscribers and the trust company, recited that said committee had been appointed a committee of the New York company to sell 3,000 shares of its stock remaining *after the issue of 5,000 shares in exchange for the stock of the Louisiana company*, and that said stock was to be sold by said committee at \$260 per share, \$160 of which should be paid into the surplus fund of the New York company. In this connection the examiners submit for your consideration that there is no official record of any action taken by the board of directors specifying the price at which the stock should be sold or appointing a committee for the sale thereof.

At this point, it should be observed that the only obligation assumed by the syndicate subscribers was to take all or any part of 3,000 shares of the stock of the New York company not taken by the people entitled to subscribe therefor and to pay to a committee representing the indemnity company \$260 per share. Your examiners find that all of the 3,000 shares to be marketed were subscribed for at \$260 per share by the people so entitled to subscribe, and there was no stock left to be apportioned among the syndicate subscribers. From such information as your examiners have been able to obtain, it appears that such "rights" at that time were worth \$40 per share over and above the subscription price; and it has been stated to your examiners that, in order to meet the demands of the syndicate subscribers, several of the larger stockholders waived their right to the subscriptions which

they had made and there was subsequently allotted to the syndicate 719 shares of stock. In carrying out the arrangements between the syndicate subscribers and the trust company, certain subscribers, under date of December 29, 1902, executed a joint promissory note for \$750,000, payable to the Mississippi Valley Trust Company on demand and that amount was placed to the credit of A. L. Shapleigh and S. D. Winter as trustees of the syndicate subscribers, and disposed of by them as hereafter shown.

Commission to Trust Company.—By the contract between the syndicate subscribers and the Mississippi Valley Trust Company the subscribers bound themselves to see that the New York company paid to the Mississippi Valley Trust Company a commission of \$10 a share, or \$30,000 on the 3,000 shares which were to be marketed, and said subscribers also bound themselves and agreed:

“(2) To secure for said trust company a contract from the American Credit-Indemnity Company of New York, that said Indemnity Company of New York will keep its principal St. Louis account-subject-to-check with said trust company; and

“(3) Maintain and keep on deposit with said trust company on a certificate, or certificate of deposit, for two years, bearing interest at the rate of 3 per cent. per annum, payable quarterly, a sum equal to the full amount of said loans outstanding; said deposit to be made on receipt by said New York company of the payment for said 3,000 shares of its increased stock, such deposit to be made for one year and renewed at the expiration of said first year for the second year; provided, however, if at the time for said renewal, as above fixed, the said Indemnity Company should desire, it may invest the money represented by said certificate in such bonds owned by the trust company, as will be acceptable to said Indemnity Company, and to the insurance departments of the several states, such investment in such bonds to remain over the first day of January, 1904, when said bonds shall be resold to said trust company at their cost, and three per cent. interest, and certificate or certificate of deposit, due December 15, 1904, shall again be taken out for the proceeds.”

Whether the syndicate subscribers could have carried out their agreement with the trust company, except for the dual capacity in which the directors of the Indemnity Company acted, is left for

your consideration. The purpose of the provision just quoted, relating to the purchase of bonds to remain over the first day of January, 1904, when they were to be resold to the trust company, is too apparent to require explanation.

As the 3,000 shares of stock to be marketed had all been subscribed for by those entitled to so subscribe and who had agreed to pay the company therefor \$260 per share, your examiners find no reason or justification for disposing of any of the stock to the syndicate, or for the payment by the company to the trust company of any commission. It is conceded by stockholders who are attorneys of wide experience that if the subscribers found it necessary to borrow money in order to pay for their several subscriptions, and found it necessary to pay a commission, in addition to the interest on such loans, the commission should have been paid by the borrowers, and not by the indemnity company. It will be noted that the trust company received a commission of \$10 per share from each stockholder not a participant in the syndicate agreement and who paid cash for his stock, the delivery of the stock having been made through the trust company. It was intimated to your examiners during this examination that the syndicate deal was designed to promote the best interests of the indemnity company, but an examination of the exhibits submitted herewith will show that the syndicate agreement and the contract with the trust company taken together contained all the usual elements of underwriting syndicates promoted and conducted for the sole profit of the participants; and this operation must be judged by the possibilities and the results thereof.

Interest on Syndicate Obligations.—Attention has previously been directed to the fact that the syndicate negotiated a loan of \$750,000, in the latter part of December, 1902, for the purpose of financing the syndicate which underwrote 3,000 shares of the stock of the indemnity company. The trust company rendered two bills for interest on this loan to A. L. Shapleigh, Samuel Winter, et al., but such interest, amounting to over four thousand dollars, was paid by the indemnity company; as was also the interest on a similar syndicate loan in connection with the increase of capital from \$800,000 to \$1,000,000 in 1903.

The Winter Trusteeship.—When the stockholders of the Louisiana company were given the right to subscribe for \$800,000 of the increase in the capital of the New York company, in December, 1902, there were three stockholders of the Louisiana company who did not subscribe for thirty shares to which they were entitled. Mr. Winter advised your examiners that he was directed by the syndicate managers to subscribe for the thirty shares in his name, as trustee, which he did, and, in order to pay for such stock, borrowed from the Mississippi Valley Trust Company \$7,800 on his note, as trustee, and gave as security the thirty shares of stock for which he had subscribed. This stock was issued to Mr. Winter, as trustee, and held by him as such until June, 1905, when the Mississippi Valley Trust Company called the loan. The market value of the stock had declined during the period in which it had been held as collateral by the trust company, and, under date of June 21, 1905, the amount of said stock which had not been taken by those entitled thereto was sold by a local broker at \$154 per share. The net loss to Mr. Winter through this transaction was \$2,548.79, for which he was reimbursed by the New York company, in accordance with a resolution of its board of directors passed on the 20th day of June, 1905. It appears from the bills rendered by the trust company that the interest on this loan was charged to Mr. Winter, as trustee, but the interest was paid by the indemnity company.

As the entire issue of stock to be marketed had been underwritten by the syndicate managers, your examiners see no reason why the loss on this transaction should have been borne by the company.

Second Syndicate Transaction.—When the capital stock was increased from \$800,000 to \$1,000,000, in June, 1903, another underwriting syndicate, of which the officers and directors were the principal participants, was formed and underwrote the entire new issue of stock at \$275 per share. The only material difference between the transactions in the first and the second syndicate operations is that, by virtue of the syndicate agreement and the contract between the syndicate subscribers and the trust company which financed the deal, it is specifically stated that a commission of \$5 per share, or \$10,000, is to be paid to the trust

company, and a like commission to the twenty-five syndicate subscribers. It is unnecessary to recite at length all of the details of this transaction. Practically none of the stock was taken by those entitled to subscribe thereto, and it was necessary to allot to each of the syndicate subscribers seventy-seven shares. From this point on the market value of the stock has been declining.

AFFIDAVITS RELATING TO INCREASE IN CAPITAL

Attention has heretofore been directed to the manner in which the officers of the New York company have apparently intended to deceive the insurance commissioners of the various states in which the company transacted business, relating to the financial condition of the corporation. In this connection attention is also directed to the manner in which the officers of this company procured from the Superintendent of Insurance of the State of New York a certificate relating to the increase of the company's capital in 1902 and its authorization to transact business on such increased capital.

An examination of the affidavits filed with the New York Department, copies of which are herewith submitted as exhibits, relating to the increase in said capital, will demonstrate that every possible precaution was apparently taken by said department to ascertain that the increase had been made as required by law.

Yet, notwithstanding these precautions, your examiners find that, while the \$600,000 mentioned in the affidavit filed with the New York Department at the time of such increase as having been paid into the treasury of the company, representing the par value of the additional stock, was technically the property of the company at the time such affidavit was sworn to, such money was so paid under a distinct understanding that it was to be returned from the Standard Trust Company of New York, in which it was temporarily deposited, to the Mississippi Valley Trust Company, of St. Louis, and by the latter company held for two years in a deposit which could not be drawn upon by the indemnity company; and also that the three persons who then claimed to have subscribed for such issue, had not so subscribed and taken such stock in good faith, at the time of the execution of such affidavit.

It is, therefore, submitted for your consideration whether such

affidavit was not technically and actually false, and, further, whether, in swearing to the same, the officers of the company practiced a deception on the New York Department, which misled that department into issuing to the indemnity company a certificate to the effect that such company's capital stock had been lawfully increased from \$200,000 to \$800,000.

Telegrams passing between the officers of the company in New York and the officers of the company in St. Louis, at about the time these affidavits were filed, are herewith submitted as an exhibit.

The increase of capital stock, in June, 1903, was accomplished by similar means and the verification of a similar affidavit.

IMPROPER DISBURSEMENTS

Advances to Agents.—It has been the practice of the company for several years past to make what your examiners believe are unwarranted advances to agents. It is claimed by the company that in order to secure and maintain the services of desirable representatives, it is necessary to give them a guarantee providing in substance that if their commissions do not amount to a stipulated sum each month the company will make up the difference. Investigation discloses that these guarantees have been paid for a considerable period to some agents who were earning practically no commissions, and that after the agent had been drawing advances for several months and earning little or nothing in the way of commissions, the company has made a substantial increase in the amount of each monthly advance.

Advances to an Agent for the Benefit of the Vice-President.—In this connection, your attention is directed to the accompanying exhibits, from which it will be seen that Mr. Shapleigh, vice-president of the company, drew \$700 as an advance to an agent who was then heavily indebted to the company partly secured; this money was applied to the agent's obligation on account of a certain syndicate transaction, for which obligation your examiners are advised Mr. Shapleigh and Mr. Kennard, two of the directors, are now responsible. In explanation of this transaction Mr. Shapleigh states that the advance was authorized by the president and that it was then understood the advance would be

offset by commissions to be earned in the future. Attention is also directed to the fact that after the agent left the employ of the company, still heavily indebted thereto, the company paid two premiums on a life insurance policy on the life of said agent which was assigned to Mr. Shapleigh, et al., as collateral for the agent's obligation on account of said syndicate transaction, for which Mr. Shapleigh, et al., are now responsible.

Advances to Agents for the Benefit of the President.—Your examiners find that on several occasions the president of the company desired to borrow money from the agents, and in order to do so suggested to the agents that they ask the company for an advance on account of commissions. Such requests and advances were made. Indeed, this matter is fully explained in the following communication recently received at the home office from one of the parties in question:

"In the early part of April of this year I was called over the 'phone by Mr. S. M. Phelan, who asked me how I was fixed financially. I responded that I was by no means flush but could get along, when he told me that he wanted to borrow \$750. I said that I was unable to give it to him as I did not have it. He then suggested that I write to the company and borrow the money from it and I could then let him have it and he would see to it that I was reimbursed during the month of October of this year. As you are aware, I borrowed the money from the company and immediately on receipt of same I sent Mr. Phelan my check for the amount."

Attention is directed to the various exhibits herewith submitted for further information concerning the practice of Mr. Phelan of indirectly borrowing the company's funds through advances to agents. Your examiners are advised that said agents have been and now are unable to collect the amount of their respective loans to Mr. Phelan. As the former president admits that he is heavily indebted to various agents of the company, your examiners are unable to state the full extent of these transactions, the exhibits mentioned being the ones that have come to their attention.

Overdrafts.—For several years, at least, it has been the practice of certain officers of the company to draw in excess of amounts

due them, which overdrafts were generally repaid before the close of the year.

Phelan Overdrafts.—An examination of Mr. Phelan's ledger account shows that, for several years past, his account has at various times been overdrawn in substantial amounts. During the year 1906, he overdraw his account \$30,011.46, the checks for the various disbursements being signed by the officers of the company and the payments charged to Mr. Phelan's account on the company's ledger. This overdraft was discovered by Vice-President Shapleigh, who required Mr. Phelan to settle the account by giving the company his demand note, secured by apparently good and sufficient collateral, with an agreement that Mr. Phelan would apply to the reduction of said note one-third of his salary each month. Being unable to pay the note on or before December 31st, it was endorsed by the company, without recourse, and sold to a bank, Messrs. Shapleigh and Kennard having guaranteed to the bank the payment of the obligation.

Directors Not Informed of the Overdraft.—From such information as your examiners have been able to obtain, the other directors were not at that time informed of this transaction.

Winter Misappropriation.—Your examiners are advised that sometime in the latter part of 1902, or the early part of 1903, a syndicate composed of several of the directors and stockholders of the New York company was formed for the purpose, as has been stated, of "hardening the market" on the stock of this company, and Mr. Winter was authorized by said syndicate to purchase stock of the corporation as it might be offered for sale to the amount of \$150,000. On the 29th day of July, 1903, a local broker advised Mr. Winter that 15 shares of stock were offered for sale at \$260 per share and that a margin of \$900 was required, whereupon Mr. Winter drew the company's check for \$1,000, \$900 of which was given to the broker as a margin on such stock. Just what disposition was made at that time of the additional \$100 is not apparent; but the amount of the check was carried as a cash memorandum until December, 1903, when \$100 was apparently returned to the company's cash and Mr. Winter then, or soon after, gave the company a check for \$900 signed by himself for Samuel D. Winter and A. L. Shapleigh, trustees. This

check was drawn on an account which had been closed in the previous March and was carried as cash until June, 1908, when it was charged to bills receivable, in which account it now stands. When the assets of the company were inspected, this check was not to be found, but was subsequently returned to the office by Mr. Winter at the examiners' request. For further information concerning this transaction, your attention is directed to the accompanying exhibits. It should be noted in this connection that Mr. Shapleigh states and your examiners believe that he had no knowledge of this transaction until his attention was called to the matter by your examiners.

New York Company Settles a Louisiana Company Loss.—In April, 1894, or thereabouts, it was discovered that the cashier of the Louisiana company had embezzled \$3,455.50 of the funds of that company. He returned \$80 in cash and the Louisiana company had the defaulting cashier's life insured for \$5,000 under a twenty-payment life policy. The premiums, amounting to \$159 annually, appear to have been paid by the Louisiana company until May, 1900, when the New York company purchased from the Louisiana company the amount of its claim against its defaulting cashier and paid therefor \$4,329.50, thus not only reimbursing the Louisiana company for a loss by direct defalcation, but also including the amount paid by the Louisiana company for premiums on said policy. This company has since 1900 been paying the premiums on said policy and has already disbursed \$5,919.50. If the company continues the contract to maturity, it will have paid \$6,550, and cannot in any event recover more than \$5,000 plus the dividends on said policy, if any.

IV

CREDIT INSURANCE CONTRACTS

This company issues to manufacturers, wholesalers and others what it calls a bond, but which is rather a policy contract of credit insurance running one year from its date, guaranteeing the policyholder against losses in excess of the initial or own loss, which is to be borne by the insured. A copy of such bond is submitted herewith as an exhibit. These contracts are of two classes, known respectively as the "regular bond" and the "combination bond."

Regular Bond.—The regular bond of this company indemnifies the insured against losses incurred through the insolvency of debtors having the first and second grade ratings as established by and set forth in the table of ratings in the books of ratings published by R. G. Dun & Company, or the Bradstreet Company. The insured elects which rating shall govern. The premium on a regular bond is \$50 per \$1,000 of indemnity.

Combination Bond.—This company also issues a form of bond combining coverage of the first and second ratings as above indicated with what might be termed coinsurance coverage on ratings not enumerated in such tables of ratings. This contract is annexed by a rider attached to the regular bond, a copy of which rider is herewith submitted as an exhibit. The premium on the combination bond is \$75 per \$1,000 of indemnity.

Premiums.—It should be noted in connection with the financial statement of this company, and especially in considering its percentage of losses to premiums, that the premiums of the company have several times been increased, viz.:

Up to 1898 the premium rate was \$30 per \$1,000 of indemnity for the regular bond, and \$50 for the combination bond. In 1898 the Federal Bankruptcy Law went into effect. This necessitated a change in the policy form, and the form then adopted is practically that in force to-day. At the same time the premiums charged were changed so that they became \$40 for the regular bond and \$60 for the combination bond.

In March of 1903 the premiums were again changed to \$50 for the regular bond and \$70 for the combination bond, while in April of 1905 the premium for the combination bond was increased to \$75 per \$1,000 of indemnity.

The rates prevailing to-day are \$50 per \$1,000 for the regular bond and \$75 per \$1,000 for the combination bond.

Continuous Insurance.—It is also proper to observe that, though the insured may believe that, if his renewal bond commences on the date on which his old bond expires, he will be protected by continuous insurance; as a matter of fact, the contract is so phrased that he cannot recover thereon unless notice of his loss reaches the company's office within fifteen days from the expiration of the old bond, and unless the premium on the renewal bond

is paid prior to the expiration of the old bond. Hence, if the policyholder pays his new premium prior to the expiration of the old bond, and does not give notice of loss under the old bond within the time limit just stated, which notice it may be impossible to give, he has no claim for such loss under either bond. Your examiners understand that this criticism applies to all credit indemnity bonds of other companies.

Size of Bond.—The size of the bond is based on the sales of the insured. The following table copied from the literature of the company shows the minimum size of the bond suggested for respective sales:

Sales.	Bond.
\$75,000.....	\$3,000
100,000.....	5,000
150,000.....	5,000
200,000.....	6,000
250,000.....	7,000
300,000.....	7,500
350,000.....	8,000
400,000.....	10,000
500,000.....	12,500
750,000.....	15,000
1,000,000.....	25,000
1,500,000.....	30,000
2,000,000.....	40,000

Coverage.—The indemnity provided by the contract is limited to a percentage of the debtor's rating, and to a certain amount on any one debtor. This limit seldom exceeds an amount equal to one-third of the face of the bond.

Initial Loss.—The initial or "own" loss, as it is frequently called, is a percentage on the sales made by the insured during the period covered by the bond, but in no case less than an amount definitely stated, and is deducted from the net amount of the losses covered by the bond as ascertained in the adjustment. Theoretically and actually this loss is and must be assumed by the insured before he can assert any claim against the company.

Agent, the Underwriter.—The agent of the company is, in the first instance, really the underwriter, and in establishing the initial loss, coverages, limits, etc., he is supposed to take into consideration the experience of the merchant during the five years last preceding the writing of the bond and the elements of risk from other standpoints. It is apparent that the most important thing to be considered by such an agent-underwriter is the initial loss. In actual practice such loss is not based entirely upon records of sales and losses, but is determined by other facts and conditions surrounding such merchant's business, together with the risk common to the particular kind of business. Hence, it is stated that the moral hazard, the responsibility of the applicant, the normal loss ratio in the particular line of business in which such applicant is engaged, and the general surroundings of the business, as well as the intelligence, ability and success of the credit man employed therein, as well as whether or not the merchant is selling in locations subject to periodical reverses, and the general financial condition of the country, as well as the conditions applicable to the particular line or trade, are all considered in establishing what is known as the initial loss. While, however, in each case the underwriting agent fixes the initial loss and coverages by a consideration of all of the factors above enumerated, subject to the approval of the company, in actual practice the company must depend almost entirely upon the intelligence and integrity of the agent.

Hence, in the final analysis, the premiums paid by the insured is not the item on which a credit company depends for its underwriting profit. Such premium may be \$75, \$60, \$50, or even \$40 per \$1,000, and yet, if the underwriter fixes the own loss percentage high enough, and what is known as the "single limit" low enough, the company can keep its losses within a certain percentage of the premiums.

Notification of Insolvency.—A provision of the bond or policy contract of this company requires that the insured must notify the company upon blanks furnished by it and sent to the company at its office in St. Louis, Mo., before the expiration of the bond, or within twenty days after the insured has first received information of the insolvency of the debtor. Otherwise the loss incurred

cannot be included in the adjustment. It is further provided that if information of the insolvency shall first be received by the insured at a date too late to enable such insured to notify the company within the time aforesaid, then the notification of insolvency given as above specified will be sufficient, if received by the company within fifteen days after the expiration of the bond.

Final Statement of Claim.—It is also provided in the bond or policy contract that, if any claim for excess loss is made thereunder, a final statement of the claim, duly sworn to, shall be made by the insured upon blanks furnished by the company, and that such final statement must be received by the company at its office in St. Louis within thirty days after the expiration of the bond; otherwise there is no liability under the bond. Where the insured fails to file such final statement within the time limit, the company frequently requires a nonwaiver agreement before proceeding to adjust the loss. The adjustment, pursuant to such an agreement, is for the purpose of determining whether the insured has any substantial claim, regardless of the principal defense, viz., failure to file in time, which the company may, in its discretion, use. In several cases that have come to the attention of your examiners, the company offered a compromise where an adjustment was pending, subject to the nonwaiver agreement given the company on account of a final statement being filed at a late date.

Analysis of Adjustment.—The insured is required to file a final statement containing a full list of all the insolvencies, notice of which has been brought to the company's attention during the life of the bond. Apparently the adjuster takes up each claim, and by process of elimination excludes those which are not rated in accordance with the terms of the bond or transfers from the rated to the nonrated and off-rated insolvencies, where the liability is usually limited to 75 per cent. The adjuster then determines whether premature or late notice, prior sale, prior or subsequent failure will make such claim nonprovable. This method involves the merits and possible defenses as to each individual claim.

The next step evidently is to determine whether the bond or policy contract is void as a whole, regardless of the individual claims. Among the grounds seeming to warrant the adjuster in declaring such bond or policy contract wholly void, is breach of

warranty at the time of the application, or misrepresentation or concealment at the time of the adjustment. In either event, and that is if a breach of warranty in the application, or misrepresentation or concealment in final statement, appears, the adjustment ceases, and the company frequently resists any claim made on such bond or policy contract.

Examination of the company's records shows that some claims under policy contracts have been disposed of in accordance with the conditions of the bond but without due regard for the equities of the claim by the policyholder.

Pro-rating of Salvage.—The provision of the bond or policy contract relating to adjustments is the cause of considerable controversy between the company and the insured. Thus, when the so-called single limit of the bond or policy contract becomes operative, such contract requires that all salvage on any one account be applied pro rata. For example, a merchant has a bond by the terms of which the loss on any one debtor during the period covered by the bond is limited to \$500. The merchant sustains a gross loss of \$1,000 on such a debtor, and in the adjustment it is agreed that the insolvent debtor will pay a dividend of 10 per cent., that is, \$100. It would seem that the merchant has the right, reasonably, to expect that in the adjustment the salvage received or recoverable would first be deducted from the amount of the gross loss, and that if the balance equaled or exceeded the amount insured, which in this case is \$500, the last-mentioned amount would be paid by the company and the merchant would stand the balance of the loss, or \$400. But such is not the practice of this company. It requires the insured to share with it pro rata the salvage recoverable, and the merchant, therefore, only receives \$450, instead of \$500, the amount which he might reasonably expect. It is understood by the examiners that the pro rata clause above referred to is in the policies of every company writing credit insurance.

Breach of Warranty.—The provisions of a credit indemnity bond or policy contract are intricate and afford such a company numerous defenses and technical rights of which it can avail itself, either in adjustment or by contest in the courts. One of the most frequent of these defenses is breach of warranty. It rests

principally on the statement of the insured in his application as to his experience in gross sales and gross losses during the five previous years.

Other Defenses.—Among the other defenses which serves as a basis for the rejection of an individual claim or the denial of any obligation under the bond are the following:

Insolvency of the debtor other than as defined in the bond.

Merchandise not owned by the insured or not shipped to the insolvent debtor.

Late indebtedness or insolvency.

V

BY-LAWS OF COMPANY

The by-laws of the company, a certified copy of which is herewith submitted as an exhibit, which now are and since the 29th day of August, 1905, have been in force. Article IV relating to the duties of the Treasurer, provides that:

“He shall under the direction of the president keep an account of all funds received by the company and deposit the same in such bank or banks or places of deposit as the board of directors may designate.”

Nothing has been found in the minutes of said board to show that the banks in which the company deposits its funds have been designated by the board of directors, as required by the by-laws.

Said article further provides that:

“All checks must be signed by the president and treasurer.”

Section 2 of said article provides that:

“He shall be the proper officer to make all necessary transfers, indorsements, accept drafts and other papers; to adjust and pay all claims upon the company in full, or by compromise, *subject to the advice and control of the president.*”

It will be seen from the foregoing quotations that the duties of the treasurer were to be performed “under the direction” of and “subject to the advice and control of the president.” The by-laws therefore appear to make the treasurer an executive officer in name only necessarily acting to a large degree in a clerical capacity, the president in effect being the real disbursing officer.

Section 3 of said article provides that the securities and valuables of the company "shall be deposited in such place or places of safety as may be designated by the finance committee, and access to same shall only be had by the *Treasurer* in connection with a member of said committee."

Section 4 of said article relating to the duties of the *Treasurer* further provides that

"For the faithful performance of his duties he shall be required to furnish Bond to the Company with good and solvent surety, in such sum as the Board of Directors may fix to be bound during the term of his office, re-election or appointment."

Your examiners are advised that said treasurer did at one time furnish a surety bond, but that the same has not been in force for several years and the bond cannot now be found. From such information as can be obtained relating to the date of the bond, it would appear that the misappropriation of the company's funds by Mr. Winter as treasurer, occurred while said bond was in force, and that had the directors exercised a proper supervision over the affairs of the corporation, such misappropriation would have been discovered in time to have enabled the indemnity company to make claim for loss on the surety company. The examiners are advised that the treasurer has not been under bond for several years.

Section 1 of Article V relating to the duties of the SECRETARY provides that he shall

"Take charge of the accounts, archives and books of the Company and render such other service as may be required of him under the supervision and direction of the president or board of directors."

This section, so far as it relates to the accounts of the company, appears to be in direct conflict with section 1 of Article IV referring to the duties of the treasurer, but attention is again directed to the fact that by said by-laws, the secretary of the company must perform his duties, "under the supervision and direction of the president."

The duties of secretary as defined by the by-laws are therefore largely of a clerical nature; the president having full control of the duties ordinarily delegated to the secretary of a corporation.

The secretary and assistant secretary are also required by the by-laws to furnish bonds for the faithful performance of their duties. These provisions of the by-laws have not been complied with, and said officers were not bonded at the date of this examination. Your examiners are advised that since the examination was completed bonds have been furnished as required by the by-laws.

Article VII relating to the duties of the general manager provides that he shall perform certain duties "*subject to the control of the president.*"

Section 2 of Article IX, referring to the duties of the Finance Committee, authorizes and empowers said committee, or a majority of the four members thereof, to borrow, loan, invest or otherwise dispose of the money, funds, stock and other assets of the company, in any way they deem may be conducive to the interest of the corporation, "provided it be done in accordance with its charter and by-laws and resolutions of the board of directors of this company duly passed." No records have been kept of the transactions of the Finance Committee, and the duties of that committee appear to have been performed by its chairman without formal action by the other members thereof.

Section 3 of said article provides that the Finance Committee "shall examine at such times as may be determined upon, the books and accounts of the company, and report thereon to the board of directors." So far as your examiners can ascertain, such examination has never been made by the Finance Committee, and your examiners are advised by a member of the board of directors that some time since he offered a resolution to the effect that the books of the company be audited, and that said resolution was voted down by the board of directors. The Finance Committee did not perform the duties imposed upon it by the by-laws; did not discover the true condition of the company and did not prevent various misappropriations of the funds of the company aggregating large amounts.

VI

LOSS EXPERIENCE

Presented herewith are tabulations showing:

(A) The experience of the company on policies expiring during the eight months ending August 31, 1909.

(B) The experience on policies expiring each year from organization of the company to December 31, 1908, the latest date which at the time of this examination it was possible to obtain practically a completed experience.

(C) The experience on expired policies from organization of the company to the date of the examination, the liability for unpaid claims in this tabulation being computed on the basis of the financial statement as of August 31st.

It should be borne in mind that the principal part of the losses paid during any year was on the policies written during the previous year, and the following tabulations have been arranged to show, as far as possible, the premiums and the losses on the same policies.

(A)

RATE OF LOSS PAYMENTS TO PREMIUM RECEIPTS

As compiled by the Officers of The American Credit-Indemnity Company of New York, on Policies Expiring During the Eight Months Ending August 31, 1909

EXPIRATIONS.	Amount premiums.	" Payments to " Oct. 1, 1909.	" Payments Oct. 1, 1909 to Oct. 14, 1909."	Company's estimate of payments to be made.	Percentage.
January	\$109,534 72	\$85,082 47	\$202 64	\$1,950 00	79
February	105,368 75	73,241 42	657 99	734 00	70.8
March	126,375 11	72,113 30	45 90	1,827 00	58.5
April	123,439 22	66,150 77	393 68	497 00	54.3
May	90,885 00	42,440 42	1,579 00	6,354 00	55.4
June	111,857 28	35,563 01	7,159 24	8,442 00	45.7
July	91,594 17	9,125 87	12,607 23	19,057 00	44.5
August	83,718 25	1,299 78	7,063 45	21,141 00	35.2
Total	\$842,772 50	\$385,017 04	\$29,709 13	\$60,002 00	56.3

These amounts represent gross payments without any deductions for salvage.

(B)

Tabulation showing the Premiums Received, Losses Paid and Salvage Collected to and including October 16, 1909, by The American Credit-Indemnity Company of New York, on Policies which expired during the years from 1894 to 1908, both inclusive.

Year in which policies expired.	Premiums thereon.	Salvage.	Gross losses.	Net losses.	Gross per cent.	Net per cent.
1894.....	\$91,190 24	\$3,302 81	\$61,660 39	\$58,357 58	67.5	64
1895.....	142,247 18	405 99	43,390 73	42,984 74	30.5	30.2
1896.....	152,233 17	16,893 60	105,513 82	88,620 22	69.3	58.2
1897.....	200,809 20	1,937 34	85,903 36	83,966 02	42.7	41.3
1898.....	200,954 77	1,072 36	56,885 28	55,812 92	28.3	22.7
1899.....	226,856 67	4,029 83	56,016 05	51,986 22	24.7	22.9
1900.....	247,590 30	2,473 57	84,415 87	81,942 30	34.0	33.0
1901.....	449,003 32	3,823 23	282,897 40	279,074 17	62.9	62.1
1902.....	928,355 00	5,503 26	750,531 10	745,027 84	80.7	80.2
1903.....	1,376,300 82	20,947 17	815,555 66	794,608 49	59.2	57.7
1904.....	1,506,857 82	33,745 47	789,922 00	756,176 53	52.2	50.1
1905.....	1,380,687 61	30,064 17	522,031 70	491,967 53	37.8	35.6
1906.....	1,265,135 28	26,220 84	445,954 65	419,733 81	35.2	33.1
1907.....	1,226,135 77	32,548 84	546,974 69	514,325 85	44.5	41.9
1908.....	1,368,353 33	63,304 00	1,428,405 60	1,365,201 60	102.8	98.3
	\$10,783,398 48	\$246,272 48	\$6,076,058 30	\$5,829,785 82	56.2	54.0

N. B.—Company commenced business May 1, 1893. Above tabulation does not include liability of company for unpaid losses and claims on policies expiring prior to December 31, 1908, nor does it make any allowance for salvage that may hereafter be recovered on losses paid prior to October 16, 1908.

(C)

YEAR.	Net cash premiums received.	Gross receipts exclusive of capital.	Gross losses paid.	Salvage collected.	Net losses paid.	Other disbursements.	Gross disbursements.	Unpaid claims.
1893.....	\$76,042 38	\$77,557 57	\$28,751 80	\$3,306 78	\$25,445 02	\$34,309 24	\$34,309 24	.....
1894.....	132,305 69	136,802 29	21,330 29	415 66	20,914 63	77,277 04	102,722 08	\$17,000 00
1895.....	173,100 85	178,945 83	76,976 68	16,892 60	60,084 08	105,840 93	126,755 58	17,831 00
1896.....	206,450 86	221,113 73	76,976 68	16,892 60	60,084 08	148,517 02	208,601 10	8,763 00
1897.....	209,116 17	220,828 80	85,899 77	1,937 34	83,962 43	136,704 73	220,667 16	10,850 00
1898.....	225,788 24	237,356 54	54,407 27	1,072 36	53,334 91	161,428 36	214,763 27	.....
1899.....	234,131 04	248,402 99	84,624 51	4,029 83	80,594 68	154,145 11	234,739 79	23,240 52
1900.....	453,420 41	497,121 07	75,352 13	2,473 57	72,878 56	240,285 91	313,164 47	19,532 43
1901.....	931,739 18	948,844 32	225,574 50	3,823 23	221,751 27	423,270 83	645,022 10	38,425 00
1902.....	1,396,367 49	1,571,855 74	635,268 24	5,503 26	629,754 98	628,452 77	1,255,752 31	53,662 00
1903.....	1,474,257 54	1,925,361 39	799,352 87	20,947 17	778,405 70	947,346 61	1,435,627 46	264,623 80
1904.....	1,401,237 69	1,464,451 78	748,011 76	33,718 18	714,293 58	721,361 17	1,287,319 56	175,346 70
1905.....	1,265,492 92	1,333,215 44	627,405 05	31,718 18	595,686 87	691,632 69	1,186,587 96	205,854 48
1906.....	1,215,822 58	1,296,108 61	471,109 49	26,220 84	444,880 63	741,699 31	1,186,587 96	213,941 31
1907.....	1,371,124 55	1,463,228 47	447,768 87	32,648 84	415,120 03	770,064 74	1,294,174 77	216,382 94
1908.....	\$842,202 05	1,501,067 05	1,218,709 52	63,203 78	1,155,505 74	770,938 75	1,926,444 49	522,176 52
Aug. 31, 1909.....	.....	923,461 39	809,252 84	(a)79,328 59	1,729,924 25	339,005 36	1,068,929 61	(b)325,627 35
Totals.....	\$11,608,599 64	\$14,214,723 01	\$6,409,785 59	\$327,277 50	\$6,082,518 09	\$7,201,270 57	\$13,283,788 66	\$325,627 35

(a)	Gross disbursements.....	\$13,283,788 66
Cash Contract.....	Losses paid.....	\$6,082,518 09
Liabilities thereon.....	Dividends paid.....	812,000 00
		6,894,518 09

Net losses paid.....	\$6,082,518 09
Unpaid.....	325,627 35
Total losses.....	\$6,408,145 44

TOTAL LOSSES.

(c) In Gross Receipts is included \$480,000 paid-in surplus.

SUMMATION.

Total losses, 55.2 per cent of net cash premiums.
Expenses and other disbursements, 54.21 per cent of gross disbursements.
Net losses paid, 46.79—per cent of gross disbursements.
Dividends paid to stockholders, 6.12—per cent of gross disbursements.

† Equals 55 per cent of net cash premiums.

† To Aug. 31.

* Equals 55.2 per cent of net cash premiums.

TOTAL LOSS AND EXPENSE RATIO FROM ORGANIZATION TO DATE
OF EXAMINATION

The foregoing tabulation (C) showing the sources of income and disbursements from the organization of the company in 1893 to August 31, 1909, shows that the losses on policies expiring prior to the latter date were 55.2 per cent. of the premiums on said policies, and that the disbursements, other than for losses and dividends, were 55 per cent. of the net cash premiums on expired policies. It will also be noted from the same tabulation that the gross disbursements from the organization of the company to August 31, 1909, were \$13,283,788.66 and that the net amount paid for losses to said date, plus the then outstanding liability for unpaid claims amounted to \$6,408,145.44. The losses thus being 48.2 + per cent. of the total disbursements. It has been necessary in this tabulation to estimate the liability for unpaid claims, but tabulation (B) represents practically a completed experience from which it appears that the net losses paid on expiring policies, making no allowance for the claims unpaid on said policies at the date of this examination, is 54 per cent. of the net premiums on said policies.

VII

SUMMARY

The capital of the company, on August 31, 1909, is found by this examination to be impaired to the amount of \$639,880.56, and it seems pertinent to recapitulate the causes of such impairment.

It will be observed from one of the tabulations in this report that the disbursements from the organization of the company to the date of this examination amount to \$13,283,788.68. It will also be observed from the same tabulation that the amount paid for losses during the same period is \$6,082,508.09, or 45-79/100 per cent. of the gross expenditures. It is thus evident that the present impairment is not due to excessive losses on the policy contracts, and it becomes necessary to look elsewhere for the rea-

sons of the company's financial condition. They may be recapitulated as follows:

First.—Excessive and unearned dividends; \$812,000 having been paid during a period of eight years. This amount is \$292,000 in excess of what the dividends would have been had they been limited to 8 per cent. per annum, which is estimated to be as large as the earnings of the invested assets would warrant.

Second.—Exchange of 5,000 shares of the stock of the New York company for a like number of shares of the stock of the Louisiana company; the effect of such transfer being that practically the only assets of value received by the New York company was 2,000 shares of its own stock, which 2,000 shares were then known to be subject to a lien of \$125,018.14, and which exchange was the cause of other subsequent disbursements by the New York company.

Third.—Syndicate operations, by virtue of which the company paid commissions and made sundry disbursements amounting to more than \$50,000.

Fourth.—Extravagant management and misuse of funds.

Other conditions remaining the same, had it not been for the causes enumerated, the capital would not at the date of the examination have been impaired and there would have been a substantial surplus over capital and other liabilities; and this after the company had passed through the worst panic in the history of credit insurance.

Your examiners wish it understood that there is no probability that all of the improper disbursements are included in the preceding pages of this report, as the books and accounts of the company are in such condition that the actual transactions of the corporation cannot be traced without a thorough audit of the books, accounts, records and various memoranda from the date of organization down to the present, which would require much more time than has been available for that purpose during this examination. There are disbursements for which no satisfactory explanations could be obtained, and others which are deemed improper, to which no reference has been made, but it is believed

that sufficient data are contained in the preceding pages of this report to clearly demonstrate the manner in which the business of the company has been conducted.

Respectfully submitted,

W. B. B. SMITH,

*Examiner, Insurance Department of the
State of New York.*

C. W. FLETCHER,

*Deputy Insurance Commissioner of the
Commonwealth of Massachusetts.*

STATE OF NEW YORK, }
COUNTY OF ALBANY, } ss.:

CHARLES W. FLETCHER and WILLIAM B. B. SMITH being duly sworn depose and say and each for himself says that the foregoing report subscribed by them is true to the best of their knowledge and belief.

Subscribed and sworn to before me this
fourth day of December, 1909.

THOMAS F. BEHAN,
Notary Public, Albany County.

STATE OF NEW YORK

INSURANCE DEPARTMENT,
NEW YORK, December 9, 1909

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.— Acting under your appointment No. 2288, dated November 11, 1909, and annexed hereto, we have made an examination of the People's Mutual Life Insurance Association and League of Syracuse, New York. The examination was made as of October 31, 1909.

The following is a statement of the income and disbursements for the first ten months of 1909 and the assets and liabilities on October 31, 1909:

Balance as shown by association's records December 31, 1908.. \$2, 270, 598 60

Income, January 1, 1909, to October 31, 1909

Benefit fund assessments.....	\$910, 647 91
General fund assessments.....	110, 266 45
Capital tax	50, 717 25
Membership fees	7 50
Joining fees	8, 305 00
Transfer fees	225 00
Disability loans repaid.....	29, 056 80

Total paid by members.....	\$1, 109, 225 91
Interest	97, 464 74
Bills receivable	421 73
Profit on sale of bonds.....	27, 787 72

Total income 1, 234, 900 10

Total \$3, 505, 498 70

Disbursements, January 1, 1909, to October 31, 1909

Death claims	\$77, 828 30
Disability loans	99, 714 70
Dividends	314, 612 19

Total paid to members.....	\$492, 155 19
Agents' renewals	11, 169 34
Agents' salaries	9, 350 00
Joining fees paid to agents.....	8, 305 00
Collectors' fees	50, 193 93
Salary of manager of agents.....	3, 500 00
Salary of officers.....	10, 350 00
Salary of office employees.....	8, 475 40
Salary of medical examiners.....	2, 871 00
Legal expense	4, 503 65
Rent	2, 011 05
Advertising and printing.....	5, 371 83
Postage, express and telephone.....	5, 104 76
Exchange	153 84
Traveling	6, 269 35
Furniture and fixtures.....	234 81
Insurance department's fees.....	111 00
Bonding	2, 089 20
Office expenses	306 29
Sundry expense	268 57
Loss on sale of bonds.....	163 75

Total disbursements 622, 957 96

Balance (ledger assets, October 31, 1909) \$2, 882, 540 74

Ledger Assets

Mortgage loans on real estate.....	\$527,289 27	
Book value of bonds.....	2,201,072 75	
Certificates of indebtedness of city of Syracuse.	1,182 93	
Cash in banks and trust companies on interest.	152,227 00	
Cash in bank not on interest.....	460 39	
Cash in office.....	308 40	
		<hr/>
Total ledger assets.....		\$2,882,540 74

Non-Ledger Assets

Interest accrued on bonds.....	\$36,439 54	
Interest accrued on mortgages.....	7,891 42	
Interest accrued on bank deposits.....	1,405 05	
Assessments in course of collection.....	96,910 03	
		<hr/>
Total non-ledger assets.....		142,646 04

Gross assets	\$3,025,186 78
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Deduct Assets Not Admitted

Book value of bonds over market value.....	37,632 75
	<hr/>
Total admitted assets.....	\$2,987,554 03

Liabilities

Unpaid death claims.....	\$11,874 08	
Unpaid disability loans.....	7,227 60	
Death claims resisted.....	1,200 00	
Judgment and costs in damage suit.....	1,675 00	
Net amount to provide for dividends which have already been declared.....	159,719 04	
Salaries, expenses, commissions etc., due and accrued (estimated)	10,000 00	
		<hr/>
Total liabilities	\$191,695 72	
Balance*	2,795,858 31	
		<hr/>
Total	\$2,987,554 03	<hr/>

* There is no provision under Article VII of the Insurance Law of New York for charging societies operating thereunder with any liability for reserve to meet its contracts at maturity. This "Balance" is the amount of "Net Assets" which the Association had on October 31, 1909, to carry out its dividend and death benefit contracts.

Statement showing income and disbursements from January 1, 1909, to October 31, 1909, and ledger balances October 31, 1909, of each fund.

Benefit Fund

Balance, December 31, 1908..... \$2,190,615 60

Income

Benefit fund assessments.....	\$910,647 91
Disability loans returned.....	29,056 80
Interest	86,025 79
Profit on sale of bonds.....	27,787 72

Total income 1,053,518 22

Total \$3,244,133 82

Disbursements

Death claims	\$77,828 30
Disability loans	99,714 70
Dividends	314,612 19
Loss on sale of bonds.....	163 75

Total disbursements 492,318 94

Balance, benefit fund, October 31, 1909..... \$2,751,814 88

General and Capita Funds

Balance, December 31, 1908..... \$79,983 00

Income

General fund assessments.....	\$110,266 45
Capita tax	50,717 25
Membership fees	7 50
Transfer fees	225 00
Joining fees	8,305 00
Bills receivable	421 73
Interest	11,438 95

Total income 181,381 88

Total \$261,364 88

Disbursements

Management expenses 130,639 02

Balance, general and capita funds, October 31, 1909..... \$130,725 86

Recapitulation

Benefit fund	\$2, 751, 814 88
General and capita funds.....	130, 725 86
Total (ledger assets) October 31, 1909.....	<u>\$2, 882, 540 74</u>

Government and Management

This association was incorporated in 1903 as a fraternal beneficiary society and operates under the provisions of article VII of the Insurance Law, but it conducts its business more along the lines of a business assessment corporation, than along the lines of a fraternal beneficiary society. Its business is secured solely through paid agents. Ostensibly a representative system is maintained through a national assembly, a federal assembly, district assemblies and primary assemblies. Initiation into a subordinate lodge is not a requirement for membership and very little interest is taken by the body of members along this line, the practical result being that the district managers or agents, together with the board of directors, comprise the delegates to the national assembly.

The national assembly has supreme jurisdiction over all subordinate assemblies, and through its board of directors, has supreme supervision and control of all the business of the association. It has the power to make its own constitution, by-laws, rules and regulations which govern the entire association, and its decisions on all matters are final. Regular meetings are held every two years, but special meetings may be called by the national president, the national board of directors, or at the request of one hundred members of the national assembly. The last meeting was held February 17, 1909, and the next regular meeting will be held in February, 1910.

The national board of directors has supreme charge and control of the business, property, funds and affairs of the association.

The national board of directors, as now constituted, consists of the following members:

Name.	Term expires.
F. P. Schoonmaker.....	1910
I. C. Reed.....	1910
W. H. Peck.....	1910
C. F. Wayne (elected to fill vacancy).....	1910

E. E. DeBarr.....	1912
H. H. Mondon.....	1912
Slater Laycock	1914
E. O. Kinne.....	1914
J. E. B. Santee.....	1914

The following list gives the present annual salary of the officers and directors:

Name	Amount
I. C. Reed, President and Director.....	\$4,200 00
E. E. DeBarr, Vice-Pres., Manager of Agents and Director	4,800 00
W. H. Peck, Secretary, Treasurer and Director....	4,200 00
E. O. Kinne, Medical Examiner and Director.....	3,900 00
F. P. Schoonmaker, Counsel and Director.....	1,500 00
J. E. B. Santee, Auditor and Director.....	1,100 00
Slayter Laycock, Auditor and Director.....	1,100 00
H. H. Mondon, District Manager and Director....	2,400 00
C. F. Wayte, Director.....	600 00

Mr. Wayte received in addition \$2,892.50 for legal services during the first ten months of 1909.

Legal Expenses

The following schedule shows the principal legal disbursements for the first ten months of 1909:

Date	Name of Payee	Services	Amount
Jan. 29	Chas. F. Wayte.....	Various services	\$620 00
March 19	Ray B. Smith.....	Looking after legislation.	100 00
March 30	Chas. F. Wayte.....	Various services	430 00
April 2	Chas. F. Wayte.....	Various services	300 00
June 1	Chas. F. Wayte.....	Various services	322 50
June 1	Chas. F. Wayte.....	Various services	460 00
June 11	Morschauser & Hoysradt..	Defending suit	500 00
July 27	Chas. F. Wayte.....	Various services	420 00
Oct. 4	Chas. F. Wayte.....	Various services	340 00

In addition F. P. Schoonmaker is paid \$900 per annum as counsel.

Mr. Wayte has not rendered itemized bills for his services, but has charged at the rate of \$10 per day when employed. He stated that his services consisted in defending claims, looking after delinquent collectors and various other legal matters for the association. Mr. Wayte was also paid \$2,498.12 for traveling expenses during the first ten months of 1909.

Bonds Owned

The book value or cost to the society of these securities amounted to \$2,201,072.75, the par value being \$2,283,500. The value allowed on these securities of \$2,163,440 in the financial statement was derived from actual quotations of October 31, 1909, and quotations furnished by Mr. M. F. Scudder. A schedule of these securities is attached to this report as Exhibit "A."

There is a marked difference between the cost to the association and the market value of the following bonds:

Year of Purchase	Bond	Par Value	Cost Value	Market Value
1907	Yankee Fuel Co., 1st, 5%, 1926.....	\$25,000	\$23,000	\$10,000
1908	Sante Fe, Liberal & Englewood, 1st, 5%, 1936	25,000	23,500	2,500
1908	Illinois Tunnel, 1st, 5%, 1928.....	5,000	4,000	2,450
1908	Sante Fe, Raton & Des Moines, 1st, 5%, 1936	10,000	9,800	2,000
1908	Raton Water Works of New York, 1st, 5%, 1935	5,000	4,900	2,000

The above bonds were all purchased from E. D. Shepard & Co. and the interest on all is in default.

Dividends

This association has been until recently built up through the sale of a benefit certificate issued in four denominations, known as No. 1, No. 2, No. 3 and No. 4, according to the amount of the certificate. No. 1 provided for a dividend at the end of five years not to exceed \$125, disability loans not to exceed \$5 per week and a death benefit not to exceed \$100. The benefits under Nos. 2, 3 and 4 are two, three and four times, respectively, the benefits under No. 1. The cost of No. 1 is one dollar per month; No. 2 two dollars; No. 3 three dollars, and No. 4 four dollars. A joining fee is also charged, as is a quarterly per capita tax of fifty cents per member.

In placing this form of certificate on the market, the dividend feature was especially exploited. The person buying same was assured by the agent that the amount of the dividend at the end of the five year period would be the amount set forth in the certificate.

cate, thus returning to him in cash approximately two dollars for every one he had paid to the association, and in addition having the protection of the health and life insurance features during that period.

The first dividend certificates matured in 1908 and the management then recognized the fact that it could not pay the full amount of the dividend and fixed the dividend payment at \$100 for a No. 1 certificate for the year 1908. (In all instances where the amount for certificate No. 1 is given, the amounts under certificates Nos. 2, 3 and 4 will be two, three and four times respectively that amount.)

During the year 1908 an examination of this association was made by the Insurance Department, and it was then shown by the examiners that the only proper method of arriving at the amount available for distribution as dividends was by calculations based on the association's own experience. The result thus arrived at showed that \$60.76 could be paid on a No. 1 certificate.

In conformity with the principle above stated, the association, at a special session of the national assembly, February 17, 1909, amended section 10 of article XII of the constitution to read as follows:

"The National Board of Directors shall, at the semi-annual meeting of the Board of Directors in the months of January and July of each year, or as soon thereafter as practical, apportion to the benefit certificates maturing during the ensuing six months such an amount as a dividend as shall be represented by that portion as membership contributions to the revenues of this association that have not been consumed in necessary and legitimate expense of the Association and the payment of death benefits and disability loans, plus its just and pro rata share of all accumulations from all sources whatever applicable for dividends."

During the first six months of 1909 the association paid a dividend of \$61.93 on each No. 1 certificate maturing during that period, and \$62.68 was the amount fixed for the last half of 1909, these amounts being the result of the association's calculations in accordance with the above quoted section. While this action is just and equitable to all certificate holders, much dissatisfaction has been shown at the amount of the dividend payments, by reason

of the promise of much larger returns made by the agents at the time the certificates were sold.

More recently the association has replaced its benefit certificate with a new form called "dividend certificate" which is essentially the same as the old form, except for the dividend feature. In place of a promise to pay a sum not exceeding \$125, etc., for dividends at the end of the five year period, this new certificate provides that the amount of the dividend shall be arrived at in the manner prescribed by section 10 of article XII. The new certificate has incorporated therein all the provisions of the constitution governing the benefits under same.

Attention is called to the fact that the dividend feature is still made prominent by giving the name "dividend certificate" to this new form.

Death Claims

Certificate No. 1 provides for a death benefit not to exceed \$100.

Section 7 of article XII provides that, should any member die of certain stated diseases, the following amounts shall be paid: "In case of death the first year, not to exceed 20 per cent.; second year, 40 per cent.; third year, 60 per cent.; fourth year, 80 per cent.; fifth year, 100 per cent. of the death benefit." Section 6 of article XII provides for a grading, in addition to the grading provided by section 7, of the death benefit between the ages of 60 and 70 as follows: "If being or after attaining the age of 60 years a benefit member should die the first year of any five year period, the beneficiary shall receive 35 per cent. of the death benefit; during the second year, 50 per cent.; during the third year, 75 per cent.; during the fourth year, 100 per cent." A grading is also provided for between the ages of 70 and 80, and after attaining the age of 80 years, no member shall receive any death benefit. In making settlement of death claims, where the deceased member has attained the age of 60 years or over, and his death has been caused by one of the diseases set forth in section 7, the amount of the death benefit was used as a basis to figure the percentage under one section and that result was used as a basis to figure another percentage under the other section. As an example, of this method, the settlement under certificate No. 208456 with a death benefit of

\$100 was made as follows: Twenty-five per cent. of the \$100 under section 6 equals \$25; 20 per cent. under section 7 of the \$25 equals \$5, the amount the beneficiary received under a certificate with a death benefit of \$100. The attention of the Department was called by a dissatisfied claimant to this method of settlement, and on November 9, 1909, Mr. Alfred Hurrell, counsel to the Department, advised the association as follows:

"Replying to yours of the 5th instant, which has been referred to me for consideration, I beg to say that the Department does not agree with your construction of your constitution. Section 7 does no more than cut down the previous limitations of Section 6 to an additional percentage in case the certificate holder dies of any of the diseases therein set forth.

A fair reading of these two sections makes it very plain that if the policy holder dies, for instance, the first year of any five year period, he can receive in no event more than 25% of the death benefit. This is according to Section 6. If he dies of any of the diseases mentioned in Section 7, then he can receive no more than 20% of the death benefit. The death benefit in both instances from which the reduction or percentage is to be figured is the same. The difference is in the percentage of such death benefit to be paid. Doing this gives effect to Section 7, and 'in addition' to Section 6 without doing violence to the plain meaning of words. In any event the contract must not be construed strictly against the certificate holder but in his favor.

It is clearly erroneous to do as you have done, *i. e.*, use the death benefit as the basis from which to figure the percentage to be paid under one section and then to call the result as you in effect do, the new death benefit and proceed to use that result as the basis upon which to figure another percentage according to another section. The sections do not qualify each other in the manner you would have them do, so as to whittle the beneficiary's claim to an insignificant amount, and it is the Department's belief that a court could quickly correct such an extraordinary interpretation."

We have been informed that this method of settling death claims on a double percentage plan will be discontinued and hereafter they will be made in conformity with the Department's opinion.

Attached hereto as Exhibit "B" is a list of death claims paid during the first ten months of 1909 and settled on a double percentage basis.

An examination was made of all death claims paid during the

first ten months of 1909 and we find the 436 claims were settled in the following manner:

80% of face of claim.....	49
75% of face of claim.....	25
60% of face of claim.....	27
50% of face of claim.....	17
40% of face of claim.....	23
35% of face of claim.....	1
25% of face of claim.....	8
20% of face of claim.....	22
Double percentage	47
<hr/>	
Total graded	219
Disallowed	11
Paid in full.....	206
<hr/>	
Total claims	436
<hr/>	

It will thus be seen that less than one-half the beneficiaries received the full amount named in the certificate.

Disability Loans

Section 1 of article XII of the Constitution reads as follows:

"Any member in good standing in classes Nos. 1, 2, 3 and 4, if rendered totally incapable of following his or her occupation or calling on account of sickness or accident, may, at the discretion of the National Executive Committee, receive a loan from the benefit fund of such an amount and for such a time as shall be equitably proportioned to the time of membership and the total of the assessments paid. If a loan is granted, it shall be computed at the rate of \$5.00 per week on a No. 1 certificate, \$10.00 per week on a No. 2 certificate, \$15.00 per week on a No. 3 certificate, and \$20.00 per week on a No. 4 certificate, but in no event shall the amount of loan granted exceed the amount paid as monthly assessments to the Association by the member applying for the loan."

Gradings in disability payments are provided for on account of age and also by reason of sickness occurring from certain stated diseases. Many loans are made on a double percentage plan, the same principle being applied as was used in paying certain death claims. Loans will not be allowed for any disability caused by certain stated diseases set forth in section 7 of article XIII. A limitation to a loan for ten weeks for any one year is also imposed. If

a claimant is dissatisfied with the amount allowed him, he has the right of appealing to the national board of directors.

The policy of the association at the outset was to grant loans up to the limit provided for by the constitution. As these disability payments are purely loans, and the amount so loaned, with interest, is to be deducted from the dividend to be allotted at the end of the five year period, it was soon thereafter decided to limit the loan to the amount paid in by the member for assessments. Until February 17, 1909, when section 1 of article XIII was amended to conform with this plan, there was no provision in the constitution that would lead one to think that such limitations would be imposed. The national executive committee claimed the authority to so limit these disability payments because section 1 of article XIII then read that "any member * * * * * may, at the discretion of the National Executive Committee, receive a loan * * * ." Regardless of the question as to whether the executive committee had the right to so limit these payments, the fact remains, as disclosed by the association's correspondence, that the certificate holder, even if he joined long after this ruling had gone into effect, remained in ignorance of any such interpretation of the constitution until he made an application for a loan. All of this has been the cause of much dissatisfaction among claimants for disability loans, but as the above quoted section is incorporated in the new form of certificate, a better understanding of this feature should be shown in the future by the members.

In a few instances loans have been made to members who were not disabled. No authority for granting such loans is found in the constitution, and your examiners were informed that a few such loans had been granted to especially deserving persons.

Membership

On June 30, 1908, there were 56,186 certificates in force. On December 31, 1908, 48,694, and on October 31, 1909, 39,785. For the purpose of saving a multiplicity of numbers, we will hereafter use the No. 2 certificate as the unit, *i. e.*, a No. 1 certificate is treated as one-half a certificate, a No. 2 as one, a No. 3 as one and one-half, and a No. 4 as two certificates. The dividend now being paid on a No. 2 certificate is \$125.36, and the death benefit under same is \$200. On this basis the following table shows

the number of certificates written from December, 1908, to October, 1909, and also the number on which at least one payment has been received:

	No. certificates written	No. certificates written on which at least one pay- ment has been made
1908		
December	854	438
1909		
January	796½	435
February	649½	333½
March	494½	260
April	439½	210½
May	533½	277½
June	516	282½
July	496½	296
August	433½	226½
September	457	All reports not in

In contrast to the above, 2,341 certificates were written in January, 1908, 1,925 in February, 1,169 in July and 1,227 in August.

The number of certificates maturing by years, showing the monthly average, is set forth herewith:

	No. certificates maturing	Monthly average
1909	4, 161	347
1910	9, 086½	757
1911	16, 090	1, 341
1912	14, 047	1, 171
1913	4, 431	369

The schedule given below shows the beneficiary receipts from members and the total paid to members by months, from December, 1908, to October, 1909:

	Total receipts from members available for benefits	Total paid to members
1908		
December	\$104, 142 00	\$30, 452 50
1909		
January	100, 778 00	22, 983 45
February	101, 533 65	20, 323 82
March	97, 043 35	31, 511 31
April	92, 622 10	40, 037 58
May	91, 680 16	57, 280 31
June	92, 123 70	58, 898 14
July	92, 483 92	56, 238 16
August	94, 026 47	70, 234 90
September	88, 545 17	63, 846 51
October	88, 946 00	70, 715 91

The constitution was amended February 17, 1909, giving 10 per cent. of all interest upon loans and investments to the general fund. The amount of interest available for beneficiary payments during the first ten months of 1909, amounted to \$86,025.79.

A part of the decrease in receipts to the benefit fund is due to the fact that the constitution was amended February 17, 1909, giving 10 per cent. on all monthly assessments after the first ten to the general fund, the same having heretofore gone to the credit of the benefit fund. This has averaged about \$9,500 per month since the amendment went into effect. A net profit of \$27,623.97 has been made on the sale of bonds during the first ten months of 1909, but this is more than offset by the fact that the cost of the bonds now owned exceeds by \$37,632.75 the market value of same.

During the past sixteen months the loss in membership amounts to 16,401, the greater part of which is due to lapses. The new business is falling off rapidly and at present over two certificates are being matured for every one that is added. The maturities for 1910 will be more than twice those of 1909 and for 1911 about four times the 1909 maturing certificates. The excess of the receipts available for the payment of benefits over the amount paid to members is growing smaller, and if the dividend is maintained as provided for in the constitution, the payments to members must soon exceed the receipts available for that purpose, and the balance to the credit of the benefit fund will then have to be drawn upon.

Agency Force

The association has at present fifty-four district managers, or agents, which is about one-half the number of a year ago. The older agents seem disinclined to remain with the association, as they meet with many discouragements in selling a certificate which has resulted in so much dissatisfaction to the holders thereof, and as paid in dividends but one-half the amount the agents, themselves, had assured would be paid.

Regarding Rumors of a Change in Management

There have been many rumors during the past few months regarding contemplated changes in the management of the association. As a result of a special investigation regarding such rumors, we do hereby report that there has been no recent change in this

association's management and that there has been no official action taken which would show that such a change had been or was now being contemplated.

While there has been no official action taken, the management has, unofficially, considered and listened to proposals looking to such a change. We have been informed that there is not any definite proposition now being considered and assurances have been given your examiners that no change in the control will be effected until after the full details have been placed before the Insurance Department.

In connection with this matter, information has been obtained that certain persons have been offering to sell the control of this association. One person was approached and told he could purchase the control for \$100,000. Another person was offered the control of the association for \$200,000, and was told how, through a change in the directorate, this control would be obtained. The person reported as making this offer was interviewed by a representative of the Department and stated that he had no authority from the association, or its officers, to make any offer, and that he did not even know the officers by name. We have learned of other persons who have been approached with certain offers, and at least one of them had a representative interview the secretary of the association regarding this matter.

Your examiners interviewed Mr. Reed, the president, Mr. De Barr, the vice-president and manager of agents, Mr. Wayte, attorney for the association and a director, and Mr. Peck, the secretary and treasurer.

Mr. Reed informed us that he did not know of any proposition for a change in control that was now being considered.

Mr. DeBarr stated that he did not know of any contemplated change that would mean a change in control, although he understood that two of the directors had thought of soon retiring from the board.

Mr. Wayte said that any change that had been considered was now off, and that there would be no change in control, unless it should be made in a regular way at the next meeting of the national assembly to be held in February, 1910.

Mr. Peck stated that his attitude in this matter was substantially as follows:

That considerable difficulty had been experienced during the past few months in getting a satisfactory amount of new business. He considered that some action should be taken towards placing some new plan of insurance before the public, and if by so doing a change in the control would be necessary for its success, he would be in favor of such a change. No such change would be made until he was fully satisfied of the character and standing of the men behind such movement and that the change would prove beneficial to the members. In no event would any final action be taken before the full particulars had been placed before the Insurance Department for its information. He said he was willing to listen to and consider any proposal that might be made, but that he had not, nor had any of the officers or directors as far as he knew, authorized any one to sell the control of this association. He further stated that this *being a mutual association*, it had nothing to sell, but that he did consider that he had a certain equity in the association as he was reasonably sure of his salary for at least a few years.

From the information obtainable, it appears that this association is in the market. Negotiations have been entered into, which, if carried out, would have resulted in a change in this association's management. That nothing has yet been done in this respect seems to be due to the fact that the management has not received a good enough offer. While there is no direct evidence showing that the directors authorized anyone to sell for a consideration the control of the association, the fact remains that certain members of the directorate consider their salary as an equity in the association and, as such, for sale.

In this connection it should be noted that this association is a fraternal beneficiary association, operating under the provisions of article VII of the Insurance Law, and therefore there could be no return coming to any of the officers or directors of the association other than any remuneration they could receive in the way of salary for services rendered.

Summary

The association's admitted assets on October 31, 1909, were \$2,987,554.03, showing an increase of \$583,705.05 during the first ten months of 1909. There is no provision under article VII of the Insurance Law of New York for charging societies opera-

ting thereunder with any liability for reserve to meet its contracts at maturity. The balance of \$2,795,858.31 shown in the financial statement cannot be considered as "surplus," but is the amount which the association held on October 31, 1909, to carry out its contracts at their respective maturing periods. If the management has no better success in the near future in securing new business than it has had in the past few months, the larger part of its assets will be distributed to its members during the next three years, as approximately 82 per cent. of its present outstanding certificates will mature during that period.

An examination of the correspondence of this association shows a consistent record of disappointments for its members. The amount of the dividend, the amount allowed in many disability claims, and the gradings of death claim benefits, all have caused much complaint from its members. The attitude of its certificate holders is shown by the fact that but a small percentage renew their membership at the end of the five year period.

An association whose sole business consists in selling a certificate in which the dividend feature is especially exploited, and with its many restrictions and limitations of its death and disability features, seems to fall far short of fulfilling the purposes of a fraternal beneficiary society organized for the relief, by insurance, of members or beneficiaries in case of sickness, disability or death.

Respectfully submitted,

ARTHUR F. SAXTON

Examiner

RICHARD A. ELMER

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Arthur F. Saxton and Richard A. Elmer, being duly sworn depose and say that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

Sworn to before me, this 9th }
day of December, 1909. }

ARTHUR F. SAXTON

RICHARD A. ELMER

(L. S.) ISAAC FULD,

Notary Public, New York county

EXHIBIT A

Bonds	Par value	Book value	Market value
Hornell School 4s 1910-13 Jan 1.	\$8,000	\$8,210 00	\$8,000
Buffalo & Susquehanna 4½s 1st 1953 M-N	50,000	46,000 00	42,000
Clinton Iowa Sewer 5s 1909 June- Dec 30	5,000	4,993 75	5,000
Ozark & Cherokee Cen 5s 1st 1913 Ap-Oct	25,000	23,780 00	24,500
N. Y. & N. J. R R 5s 1st 1932 Feb-Aug	50,000	49,500 00	52,000
Yankee Fuel Co 5s 1st 1926 Apr- Oct	25,000	23,000 00	10,000
Colorado-Yule Marble Co 6s 1st 1926 June-Dec	25,000	21,250 00	25,000
Santa Fe, Liberal & Englewood 1st 5s 1936 Jan-July	25,000	23,500 00	2,500
Syracuse & So Bay Elec Ry 1st 5s 1947 May-Nov	25,000	21,250 00	23,000
Illinois Tunnel 1st 5s 1928 June- Dec	5,000	4,000 00	2,450
Idaho-Oregon Power 1st & refdg 6s 1918 Apr-Oct	10,000	9,500 00	10,000
Lake City Water Co Ind 1st 5s 1919 June-Dec	4,500	4,365 00	4,500
Atlantic Shore Line 30-yr gold 5s 1934 Apr-Oct	15,000	13,800 00	12,750
Atlantic Shore Line refdg 4s 1926 Apr-Oct	5,000	4,150 00	2,700
Tacoma Water Supply 1st 5s 1925 Jan-July	5,000	4,675 00	4,750
Santa Fe, Raton & Des Moines 1st 5s 1936 Mar-Sept	10,000	9,800 00	2,000
Austin & Northwestern 1st 5s 1941 Jan-July	46,000	49,840 00	48,300
So Western Coal & Imp Co 1st 6s 1929 Jan-July	9,000	9,925 00	9,990
Buffalo & Lake Erie Trac 1st refdg 5s 1936 May-Nov	60,000	52,050 00	56,400
Hornell Electric Co 1st 5s 1931 May-Nov	25,000	25,000 00	25,000
Raton Water Works of N. Y. 1st 5s 1935 Feb-Aug	5,000	4,900 00	2,000
Twin State Gas & Elec 1st refdg 4½s 1926 Apr-Oct	10,000	8,700 00	9,200
Alfred Light & Power Co 1st 5s 1935 Jan-July	24,000	22,800 00	22,800

Bonds	Par value	Book value	Market value
Rochester, Syracuse & Eastern 1st			
5s 1945 May-Nov.....	\$80,000	\$70,800 00	\$72,000
Iowa Cen 1st 5s 1938 June-Dec..	10,000	10,812 50	10,600
Houston East & West Texas 1st			
5s 1933 May-Nov	2,000	2,090 00	2,080
Colorado Springs Elec 1st 5s			
1920 Apr-Oct	60,000	57,375 00	58,800
Jackson Cons Trac 1st 5s 1934			
May-Nov	25,000	22,750 00	23,000
Dallas & Waco 1st 5s 1940 May-			
Nov	20,000	21,600 00	21,200
Texas & New Orleans 1st 4s 1930			
Feb-Aug	33,000	30,870 00	29,370
Hamburg Rwy 1st 4s 1926 May-			
Nov	25,000	20,000 00	20,000
Michigan United Rwy 1st reldg			
5s 1936 May-Nov.....	20,000	18,100 00	19,400
Peoria Rwy Terminal Co 1st 4s			
1937 Jan-July	109,000	93,991 50	94,830
Nat'l Light Heat & Power Coll.			
Tr. 5s 1926 May-Nov.....	10,000	9,100 00	9,600
Houston St Paving 1st 5s 1938			
Feb-Aug	10,000	10,800 00	10,800
Leavenworth Light Heat & Power			
1st 5s 1923 Mar-Sept.....	25,000	23,125 00	23,750
Detroit Gr Rapids & Western 1st			
Cons 4s 1946 Apr-Oct.....	50,000	45,980 00	45,000
Central of Georgia 1st 5s 1945			
June-Dec	10,000	10,950 00	10,700
Pontiac Light & Power 1st 5s			
1927 Jan-July	14,000	14,000 00	14,000
St. Louis & Springfield 1st 5s			
1933 June-Dec	10,000	9,500 00	9,600
Central of Georgia (Mid Ga &			
Atl Div) 1st 5s 1947 Jan-July.	3,000	3,255 00	3,240
Muncie & Union City Trac 1st			
5s 1936 Jan-July.....	25,000	20,750 00	23,250
Waterloo, Cedar Falls & Northern			
1st 5s 1922 Apr-Oct.....	15,000	14,775 00	14,700
Weatherford Mineral Wells &			
Northwestern 1st 5s 1930 Feb-			
Aug	40,000	42,000 00	40,400
Evansville & Indianapolis 1st cons			
6s 1926 Jan-July.....	15,000	17,100 00	17,100
Little Rock Rwy & Elec reldg &			
ext 6s 1938 Apr-Oct.....	40,000	42,000 00	41,600
Pine Bluff & Western 1st 5s 1923			
May-Nov	94,000	96,600 00	93,060

Bonds	Par value	Book value	Market value
Illinois Cen Trac 1st 5s 1933 June-Dec	\$15,000	\$14,550 00	\$14,400
Boone Gas Co Ia. 1st 5s 1923 Jan-July	15,000	14,025 00	14,250
Buffalo & Lackawanna Trac 1st 5s 1928 June-Dec	25,000	21,250 00	23,750
Spokane & International 1st 5s 1955 Jan-July	75,000	80,250 00	80,250
Birmingham Rwy Light & Power Co refdg 6s 1957 May-Nov. . . .	40,000	42,400 00	41,200
Chicago & No Michigan 1st 5s 1931 May-Nov	25,000	26,250 00	26,000
New Orleans Rwy Light gen'l 4½s 1935 Jan-July	50,000	41,250 00	43,000
United Rwy St Louis 1st gen'l 4s 1934 Jan-July	25,000	21,437 50	20,760
Ft Worth Street Imp 1st 6s 1948 Jan-July	21,000	21,735 00	21,420
Virginia & So Western 1st cons 5s 1958 Apr-Oct	25,000	24,750 00	24,500
Twin Falls Idaho Fire Dept 6s 1929 Jan-July	5,000	5,550 00	5,450
Peoria Rwy 1st refdg 5s 1926 Feb-Aug	25,000	24,250 00	24,500
N. Y. & Hoboken Ferry gen'l 5s 1946 June-Dec.	75,000	74,250 00	74,250
Pacific Gas & Electric Co deb 6s 1937 June-Dec	50,000	49,000 00	50,000
No Carolina Public Service 1st 5s 1934 Apr-Oct	25,000	22,500 00	22,750
Montana, Wyoming & Southern 1st 5s 1939 Mar-Sept	100,000	92,500 00	97,000
Rockford El Co Ill. 1st refdg 5s 1939, Mar-Sept	30,000	29,550 00	29,700
Flint & Pere Marquette 1st 5s 1939 Apr-Oct	20,000	21,850 00	21,600
Flint & Pere Marquette 4½s 1932 Feb-Aug	15,000	14,850 00	14,400
United Gas & El New Jersey 1st 5s 1922 Jan-July	35,000	34,300 00	34,300
Weehawken Contracting Co 1st 6s 1928 Feb-Aug	9,000	9,450 00	9,000
Chicago Rock Island & Pacific 1st refdg 4s 1934 Apr-Oct	15,000	13,762 50	13,350
San Joaquin Light & Power 1st 5s 1945 June-Dec	15,000	14,400 00	14,550
Pratt City Sewer (Ala.) 1st 5s 1939 Feb-Aug	50,000	52,750 00	50,000

Bonds	Par value	Book value	Market value
Lockport Light Heat & Power Co 1st refdg 5s 1938 Jan-uly.	\$70,000	\$65,100 00	\$65,600 00
Oregon Elec Rwy 1st 5s 1933 May-Nov	10,000	9,650 00	9,600 00
Laclede Gas Light Co 1st 5s 1934 Apr-Oct	25,000	25,375 00	25,500 00
Dayton Covington & Piqua 1st 5s 1922 Apr-Oct.....	7,000	6,650 00	6,650 00
City Ensley Sewer (Ala.) 5s 1939 June-Dec	8,000	8,400 00	8,000 00
Missouri Kansas & Texas 1st 5s 1942 Mar-Sept	55,000	59,400 00	58,300 00
Chicago & Alton Sinking Fund deb 5s 1922 June-Dec.....	60,000	60,625 00	60,000 00
Minn. Trac Kansas 1st Sinking Fund 5s 1937 Jan-July.....	10,000	9,350 00	10,000 00
Decatur Gas & Electric 1st 5s 1929 May-Nov	12,000	12,225 00	12,000 00
Cleveland Rwy 1st 5s 1912 Jan-July	15,000	14,775 00	14,700 00
Decatur Rwy & Light 1st 5s 1933 June-Dec	10,000	9,350 00	9,600 00
	<u>\$2,283,500</u>	<u>\$2,201,072 75</u>	<u>\$2,163,440 00</u>

EXHIBIT B

No. certificate	Amount of death benefit	Percentages under Sections 6 and 7	Amount paid
232966	\$200	50% & 40%	\$40
239394	200	25% & 20%	10
104640	100	75% & 60%	45
175345	400	75% & 80%	240
135145	200	75% & 60%	90
187733	400	30% & 40%	80
231377	200	50% & 40%	40
179628	400	75% & 60%	180
186263	400	50% & 40%	80
232284	200	50% & 40%	40
185038	400	50% & 40%	80
135997	200	75% & 80%	90
183639	400	50% & 40%	80
178065	400	75% & 60%	180
181317	400	50% & 60%	120
112854	100	75% & 60%	45
205149	100	25% & 20%	5
234236	200	50% & 40%	40
234633	200	50% & 40%	40

No. certificate	Amount of death benefit	Percentages under Sections 6 and 7	Amount paid
143371	\$200	75% & 60%	\$90
204350	100	50% & 40%	20
208456	100	25% & 20%	5
21012	100	25% & 20%	5
120928	100	50% & 40%	20
183445	400	75% & 60%	180
180581	400	75% & 60%	180
102319	200	75% & 80%	120
195184	400	25% & 20%	20
225177	200	75% & 60%	90
204305	100	50% & 40%	20
201725	100	50% & 40%	20
177788	400	75% & 80%	240
143193	200	75% & 60%	90
138877	200	75% & 60%	90
181906	400	75% & 60%	180
242664	200	25% & 20%	10
185217	400	75% & 60%	180
145435	200	75% & 60%	90
143958	200	75% & 60%	90
234841	200	50% & 40%	40
239398	200	50% & 40%	40
236387	200	50% & 40%	40
120761	100	75% & 60%	45
232659	200	50% & 40%	40
145732	200	75% & 60%	90
188476	400	75% & 60%	180
183085	400	75% & 60%	180

MEMORANDUM

IN THE MATTER OF THE REPORT OF EXAMINER JOHN E. DIEFENDORF OF THE CONDITION AND AFFAIRS OF THE GRAND LODGE OF THE ANCIENT ORDER OF UNITED WORKMEN OF THE STATE OF NEW YORK.

ALBANY, N. Y., December 14, 1909.

In the accompanying report of the examiner, showing the financial condition of the said society as of August 31, 1909, it is set forth that its total assets amounted to \$47,683.13; total liabilities, \$506,806.28; of which latter amount the sum of \$505,405.48 represents death claims unpaid.

The "Ancient Order of United Workmen" is one of the oldest fraternal organizations in the United States. The New York body commenced business in the year 1874. Other similar bodies were from time to time organized in other States. The reason the society has become in arrears in this State is because of the inadequacy of former rates charged the members for insurance.

When the officers of the supreme lodge, representing the body having jurisdiction over several of the State bodies, realized that the rates in force in some of the affiliated jurisdictions were so low that deficiencies were resulting, a plan was devised whereby a system of "fraternal aid" should be extended through which the stronger of the State bodies should render aid to the weaker.

The annexed report shows that some of the State bodies have dissented from the plan referred to and have refused to render the aid which the supreme lodge required of them. The result of this dissension has been that the supreme lodge has been compelled to bring suit against certain jurisdictions to secure the "fraternal aid" so devised. If this litigation results in a decision being obtained in favor of the "supreme lodge" the New York jurisdiction will, it is now thought, so profit that it will be able to reduce very largely the indebtedness now existing against it and the claimants will benefit more by such result than they would if the society were restrained from doing business.

While the amount in litigation to be allotted to the grand lodge of this State will not fully liquidate all of its claims, it, together with the sums which it is contended will be paid by other jurisdictions awaiting the result of these suits, will so largely reduce its indebtedness that it has been determined to allow the New York society to continue in business.

WILLIAM H. HOTOHKISS,
Superintendent of Insurance.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *October 11, 1909*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your directions as contained in appointment No. 2206, hereto annexed, I have made an examination of the Grand Lodge of the Ancient Order of United Workmen of the State of New York, of Buffalo, New York, a fraternal beneficiary society incorporated and doing business under the provisions of article VII of the insurance law. As a result I hereby report the condition of the said society on August 31, 1909, to have been as follows:

Ledger Assets

Cash in banks.....	\$27,994 83	
Cash in office.....	267 12	
	<hr/>	
Total ledger assets.....		\$28,261 95

Non-Ledger Assets

Assessments in process of collection.....	\$17,421 18	
Cash deposit with surety company as security for case on appeal.....	2,000 00	
	<hr/>	
Total non-ledger assets.....		19,421 18
	<hr/>	
Total assets		\$47,683 13

Liabilities

Death claims:

Approved and due.....	\$392,094 34
Approved, not due.....	142,291 00
Unapproved	5,000 00
Notice of deaths received, proofs not yet filed.....	11,941 20
In litigation	14,907 60
Doubtful	5,000 00
	<hr/>
	\$571,234 14

Deduct partial payments on above claims, made in advance of their order of payment.....	65,828 66
	<hr/>

Net amount of death claims	\$505, 405 48	
Miscellaneous items unpaid	494 39	
Court costs and interest on judgment in case on appeal	444 56	
Supreme lodge per capita tax based on membership June 30, 1909	461 85	
Total liabilities		\$506, 806 28
Excess of liabilities over assets		\$459, 123 15

Income and Disbursements

A statement of the income and disbursements for the year ending August 31, 1909, follows:

Balance ledger assets August 31, 1908	\$38, 258 22
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Income

Assessments:

Beneficiary fund	\$232, 082 67
General fund	6, 461 00
Per capita tax	3, 436 75
Dues	84 90
Certificate fees	33 06

Total income from members	\$242, 698 32
Fraternal aid fund	32, 962 22
Interest on bank balances	962 95
Sale of lodge supplies	13 65

Total income	276, 637 14
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Total	\$314, 895 36
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Disbursements

Death benefits	\$267, 555 90
Supreme lodge fraternal aid fund	6, 504 30
Supreme lodge per capita tax	479 37
Officers' salaries	4, 962 95
Deposited with surety company as security for case on appeal	2, 000 00
Office employees	1, 360 00
Legal expense	936 16
Printing and supplies	720 78
Office expense	604 99
Rent	513 31
Traveling expense	466 40

Finance committee expense	\$306 00	
Miscellaneous	158 75	
Legislative committee, salary.....	25 00	
Bonuses for obtaining new members.....	39 50	
	<hr/>	
Total disbursements		\$286,633 41
		<hr/>
Balance ledger assets August 31, 1909.....		\$28,261 95
		<hr/> <hr/>

Statement of Funds

A statement of the funds, showing the income and disbursements for the year above stated, is as follows:

Beneficiary Fund

Balance August 31, 1908.....	\$27,536 43
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INCOME

Assessments	\$232,682 67	
Supreme lodge fraternal aid.....	7,197 07	
	<hr/>	
Total income		239,879 74
		<hr/>
Total		\$267,416 17

DISBURSEMENTS

Death benefits	\$188,783 94	
Transferred to emergency fund for death benefits previously advanced to the latter fund.....	61,034 97	
Deposit with surety company.....	2,000 00	
	<hr/>	
Total disbursements		251,818 91
		<hr/>
Balance August 31, 1909.....		\$15,597 26
		<hr/> <hr/>

General Fund

Balance August 31, 1908.....	\$5,380 17
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INCOME

Assessments, per capita tax, fees, dues and supplies	\$10,029 30	
Interest on bank balances.....	962 95	
	<hr/>	
Total income		10,992 25
		<hr/>
Total		\$16,372 42

DISBURSEMENTS

General expenses	\$13,784 41
Balance August 31, 1909.....	\$2,588 01

Emergency Fund

Balance August 31, 1908.....	\$5,341 62
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INCOME

Supreme lodge fraternal aid.....	\$25,765 15
Transfer from beneficiary fund for death benefits previously advanced	61,034 97
Total income	86,800 12
Total	\$92,141 74

DISBURSEMENTS

Advanced on death benefits.....	82,065 06
Balance August 31, 1909.....	\$10,076 68

Recapitulation

Beneficiary fund balance August 31, 1909.....	\$15,597 26
General fund balance August 31, 1909.....	2,588 01
Emergency fund balance August 31, 1909.....	10,076 68
Total (ledger assets).....	\$28,261 95

Organization

The Ancient Order of United Workmen, one of the oldest fraternal beneficiary societies in the United States, was founded in the year 1868, the home of the supreme lodge being located in the city of Meadville, Pennsylvania.

The order, with the exception of certain grand lodges not now affiliated, is one fraternally composed of a number of grand lodges, usually covering each a different state or a province of Canada. There are now twenty-six grand lodges affiliated with the order; the latter are self-governing, except as they owe allegiance to the supreme lodge; the former collect and control their own funds and are practically separate life insurance societies,

and at the present time are wholly liable for the payment of their own claims.

Each grand lodge is represented at the stated conventions of the supreme lodge by delegates duly elected.

Plans of Insurance

The several jurisdictions issue certificates on the whole life plan for a sum not exceeding \$2,000.

The plans of insurance among the various jurisdictions have always varied in the matter of assessment rates, some still holding to the original plan, that is, collecting each month as many assessments of fifty cents for each one thousand dollars of insurance from each member, regardless of age, as are necessary to pay the claims. Other jurisdictions adopted a so-called "classified rate plan." This provides for collecting what is required to pay current claims by rates of assessment advancing with every fifth year of age until age fifty is reached, after which the rate is not again advanced. In other jurisdictions, the adequate rate plan recommended by the supreme lodge in 1903 is in use. This plan contemplates level rates as applied to attained ages up to age 55; members over 55 are carried at the latter age.

However, in 1903 a guaranty fund was established by the supreme lodge which authorized the levying of extra assessments, out of which it was proposed to give assistance to those jurisdictions where deficiencies might arise. This, however, proved impracticable, and in 1906 there was another readjustment made by which the assessment rates were again raised in some jurisdictions and a law enacted by the supreme lodge, whereby a fraternal aid fund should be raised by a monthly assessment of fifteen cents per member on all members of the order.

It was intended that this assessment should continue until the liabilities existing on October 1, 1906, of those jurisdictions entitled to receive aid, should be fully met, and from the later date each jurisdiction should be on a basis of self-support and fraternal aid be ultimately discontinued.

Grand Lodge of the State of New York

The grand lodge of the State of New York, of which this examination is made, commenced business in the year 1874. The

rates of assessment in this jurisdiction at the present time are said to be adequate as applied to attained ages in 1906, up to and including age 70; above that age the rates remain as of the latter age.

Prior to the raise in rates in 1906, this jurisdiction had depended on the aid of the guaranty fund from the supreme lodge to fully meet its death losses, and as this aid proved insufficient to meet the full requirements by reason of many jurisdictions having refused to pay the assessments for this purpose, and some seceding rather than do so, this jurisdiction, with several others under similar circumstances, became delinquent in the payment of claims.

Liabilities Accrued October 1, 1906

The total amount of unpaid death claims of this jurisdiction existing on October 1, 1906, was \$640,996.74, with \$5,000 since added on account of claims now recognized as valid which were not included in the former amount on the above date.

It appears to have been the general understanding throughout the fraternity, and the examiners of the Insurance Department at the time of the last examination were so informed, that of this total liability existing October 1, 1906, the supreme lodge was obligated to pay through the fraternal aid fund three-quarters of the total sum. I am now informed that the law as passed by the convention at that time did not specifically limit such payment to three-quarters of the accrued liabilities on the said date but substantially required the supreme lodge to meet the total amount then existing, and it is on the latter basis that the grand lodge of this state is now working toward a settlement in this matter.

Fraternal Aid — Received Since 1906

There has been received from the supreme lodge by this jurisdiction, to apply on the death claim liability as of October 1, 1906, the total sum of \$269,773.52. If we assume that the supreme lodge is liable for the payment of the full amount of claims existing on October 1, 1906, there is yet to be paid the sum of \$376,223.22.

Contention and Dissatisfaction Throughout the Order

In consequence of the inequality of assessment rates prevailing among the various jurisdictions and the manner of collecting and dispensing the guaranty and fraternal aid funds, there has arisen much strife and dissatisfaction throughout the order. Some jurisdictions have succumbed under heavy liabilities and discontinued business; others have seceded and are not now affiliated with the order, and numerous others have refused to pay their assessments for the guaranty and fraternal aid funds. In consequence, the amount of aid received by the jurisdiction of the State of New York has been reduced from \$136,134.53, received for the year September 1, 1906 — September 1, 1907, to \$32,962.22, received for the year September 1, 1908 — September 1, 1909.

Actions Commenced against Certain Jurisdictions

In order to compel certain jurisdictions to pay their accrued and future assessments for the guaranty and fraternal aid funds, suits have been commenced by the supreme lodge in the United States Court against the jurisdictions of Kansas and Nebraska. It is contended that if the supreme lodge is successful in these suits, other jurisdictions delinquent in their assessments will also meet the same and the percentage of this income due the grand lodge of the State of New York will be sufficient to meet in full the balance of the liabilities of October 1, 1906, assumed by the supreme lodge.

Grand Lodge Jurisdictions Now Affiliated

The following is a schedule of the grand lodge jurisdictions now affiliated with the order:

*Arizona,	†Illinois,
Arkansas,	Iowa,
*California,	*Kansas,
Connecticut,	*Kentucky,
Delaware,	*Louisiana,

* Delinquent in payment of guaranty fund and fraternal aid assessments.

† Receiving fraternal aid.

*Maine,	*Oklahoma,
*Manitoba, Saskatchewan and Alberta,	*Oregon,
*Minnesota,	†Pennsylvania,
*Nebraska,	*Rhode Island,
New Hampshire,	*South Dakota,
*New Jersey,	*Texas,
†New York,	*Washington,
North Dakota,	West Virginia.

Reduction in Both Liabilities and Membership

It appears that the excess of liabilities over assets existing on date of this examination as compared with the same on date of the last examination by this Department, to wit, May 31, 1907, has been reduced approximately 26¾ per cent., but during the same period the membership also decreased to the extent of 36 per cent., and the excess of liabilities over assets computed on the membership per capita has increased during the same period from \$134.00 to 153.05.

Liability Incurred During Year Less than Amount Received from Beneficiary Assessments

The liability actually incurred during the year of this examination amounted to the sum of \$225,788.20 while the total beneficiary assessments amounted to the sum of \$232,682.67, showing a gain in this respect of \$6,894.47, which would seem to indicate that the rates now in use are sufficient to meet the present mortality.

Subordinate Lodges and Membership

There was on date of this examination a total of one hundred and sixty-two subordinate lodges in good standing in this jurisdiction, with a total membership of 2,999.

The following schedule shows the membership on date of August 31, for four years beginning with 1906:

* Delinquent in payment of guaranty fund and fraternal aid assessments.

† Receiving fraternal aid.

1906	5,931
1907	4,444
1908	3,704
1909	2,999

Emergency Fund — Claims Paid in Advance — Annual Statement

The emergency fund of this jurisdiction is the one in which is carried the moneys received from the supreme lodge for fraternal aid. From this fund advances are paid on claims out of their regular order of full payment where beneficiaries appear to be in great need and in other pressing circumstances. When an advance is made, it is not charged off as a disbursement on account of claims paid to beneficiaries until the balance of the claim becomes payable, when the whole claim is charged off at once. It follows that at the end of each year there are certain advances outstanding, and the balance of a claim not having been reached in its order of payment, these advances have not been charged off as disbursements, except from the emergency fund, and are not included in the disbursements in the annual statement for the year. On the other hand, those advances paid prior to the current year on claims which are reached and the balance paid during the year are included in the disbursements for the year for death benefits in the annual statement. In order to reconcile this system of bookkeeping with that required by the annual statement, the order has separated the emergency fund from the ledger assets, carrying in the statement of disbursements as a transfer to the emergency fund the total amount of the said advances paid during the current year in excess of the amount previously paid but charged off during the year with a balance of each claim, together with the difference between this latter amount and the amount received from the supreme lodge as fraternal aid. More, the said advances are not deducted from the total unpaid claims but the gross amount is carried as a liability in the annual statement. Hence, the latter has shown the condition of the order to be worse than it really merits, no credit having been taken for the balance of cash at the end of the

year in the emergency fund and at the same time no credit having been taken for the said advances outstanding.

The cash balance in the emergency fund on December 31, 1908, was \$5,871.36 and the amount of outstanding advances on the same date was \$56,536.01, making a difference against the order's true condition of \$62,407.37.

Fraternal Aid Fund Paid to Supreme Lodge

The fraternal aid fund paid to the supreme lodge by the various jurisdictions, as above stated, is based on an assessment of 15 cents per month per member. From documents submitted, it is apparent that it was the intention of the supreme lodge that the grand lodges contribute to the fraternal aid fund of the supreme lodge from the beneficiary funds of such grand lodges. This is now the practice of the New York Grand Lodge, though such lodge, until recently, made such contributions from its general fund. It explains this change by the statement that the general fund of such grand lodge is no longer sufficient to permit a continuance of the previous practice.

Biennial Conventions

The constitution and by-laws of this jurisdiction provide that a meeting of the representatives of subordinate lodges for the election of officers, etc., shall be held biennially. In pursuance of this law a convention should have been held in the early part of the year 1909. However, none has been held up to this date, and the reason given by the officers holding over is that there are no available funds with which to pay the expense of such meeting, and the same has been indefinitely postponed.

Deposit With Surety Company

The nonledger asset given in the financial statement of this report, viz., "Cash deposited with surety company as security for case on appeal \$2,000," is the amount which has been charged off the books as paid to the surety company to secure the payment of a claim for \$1,000 and accumulated interest and costs. I have, therefore, allowed this item as a nonledger asset and charged the claim with costs and interest up to date as a liability.

Legal Expense

The item in disbursements, viz., "Legal expense \$930.16," includes certain court costs, etc. and attorney's fees.

Interest on Bank Balances

The interest received from banks on the cash balances of the grand lodge is paid to the grand receiver as additional compensation, by resolution adopted by the grand lodge, and I am informed that the grand receiver has become personally responsible for the security of such deposits of the order.

The interest is not entered on the order's records but is either paid or credited by the banks to the grand receiver personally. The amount of same entered in this statement, viz., \$962.95, is based on an estimate of the average lowest quarterly balances on one of the accounts, together with the amount as credited by another bank, and the total is also included in the statement of disbursements in the item "officers' salaries."

Salaries

The following is a schedule of salaries now being paid to officers:

Grand Master Workman, \$1,000 per annum.

Grand Receiver, \$1,000 per annum and interest on deposits.

Grand Recorder, \$2,000 per annum.

Conclusion

It is apparent from the foregoing that while the order has technically reduced its liabilities since the last examination by this Department was made, relatively, due to the decrease in membership, it is in worse condition than it was at that time. It is conceded that the only hope of revivification is in receiving the funds claimed to be owing from the supreme lodge as fraternal aid. It is true that if this amount is recovered it would be a great boon to many beneficiaries who are waiting patiently for the benefits due them. However, assuming that this amount in question is paid, which is by no means certain, the order would still be liable for death benefits to the extent of \$129,182.26, which would still

be a heavy burden on the present membership of only 3,000. But it is contended that in case the amount from the supreme lodge is recovered, it would so revive the order that new members could be easily obtained. At any rate, it is certain the one hope of perpetuating this jurisdiction lies in the above contingency.

The officers appear to be doing all in their power to solve the problem satisfactorily. They are giving much personal time and energy to the cause and are working courageously against great odds to meet the situation fairly and successfully.

Respectfully submitted,

JOHN E. DIEFENDORF,

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

John E. Diefendorf, being duly sworn, deposes and says the foregoing report, subscribed by him, being in amendment of the same report subscribed and sworn to by him on the 11th day of October, 1909, is true to the best of his knowledge and belief.

JOHN E. DIEFENDORF

Subscribed and sworn to before me
this 10th day of December, 1909.

(L. s.)

F. J. GEIST,

Notary Public, Richmond Co.

Certificate filed in New York County.
(Register's No. 1058.)

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *December 21, 1909*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Complying with the instructions contained in your appointment No. 2305, dated December 10, 1909, and annexed hereto, I have made an examination of the condition and affairs of the Greenwich Insurance Company of New York city.

This examination was made for the purpose of ascertaining the financial condition of said corporation and determining the amount of impairment of its capital stock.

The condition of the company on December 10, 1909, is herewith set forth:

LEDGER ASSETS

Bonds and Stocks	Book Value	Market Value
\$50,000 of Minneapolis & St Louis R R Co 5s gold notes 1911	\$49,944 45	\$49,500 00
100 shares Great Northern Iron Ore properties..	5,000 00	7,900 00
38 shares Automatic Fire Alarm Co.....	380 00	950 00
5 shares Underwriters' Salvage Co of New York	500 00	625 00
Total book and market values.....	\$55,824 45	\$58,975 00
Cash in office.....		11 69
Cash in bank.....		6,762 97
Total ledger assets.....		\$65,749 66

Non-Ledger Assets

Interest accrued	904 11
Total assets	\$66,653 77

LIABILITIES

Unpaid losses	\$4,000 00
Capital	200,000 00
Total liabilities	204,000 00
Impairment of capital.....	\$137,340 23

Reinsurance of the Company's Business

An examination of the books and records of this company shows that on or about February 16, 1904, it discontinued the further issuance of fire insurance policies; that on said date all policies of fire insurance then in force issued by said company were reinsured in the Commercial Union Assurance Company of London, England [United States Branch]; that on or about August 1, 1904, said company discontinued the further issuance of inland marine policies of insurance; that on April 29, 1904, all the western river business was reinsured in the Firemen's

Fund Insurance Company of San Francisco, California; that on May 12, 1904, all the local inland marine business was reinsured in the Columbia Insurance Company of Jersey City, N. J.; that on August 1, 1904, one-half of the lake business was reinsured in the London Lloyds and the balance soon thereafter either expired or was canceled.

An examination of the claim book shows two (2) unpaid claims in the aggregate sum of \$4,000 and Mr. Stone, the president, states that this amount constitutes the entire liability of the company on policyholders' account. Mr. Stone also states that all policies of insurance issued by the Greenwich Insurance Company are either expired by their terms or have been canceled.

An affidavit has been secured from Mr. Stone covering the above statements and is attached to this report.

Financial History of the Company from Time of Reinsurance

On January 31, 1904, this company on its own statement had a surplus over capital and all other liabilities of \$82,239.63. By reason of heavy losses sustained on account of the Baltimore fire in the early part of February, 1904, its surplus was wiped out and its capital of \$200,000 became impaired about 62½ per cent. On February 16, 1904, it reinsured all of its fire business and shortly thereafter reinsured substantially the balance of its business. The premium reserve on the fire business at date of reinsurance amounted to \$1,388,044.92, and the Greenwich paid to the Commercial Union \$798,125.83 for this reinsurance, retaining a commission of 42½ per cent., or \$589,919.09 on said premium reserve. The commissions retained on the other business amounted to approximately \$3,800. The principal payments made by the Greenwich to the Commercial Union for the said reinsurance were as follows: February, 1904, \$250,000; March, 1904, \$250,000; May, 1904, \$100,000; June, 1904, 100,000; August, 1904, \$90,000; October, 1904, \$7,926.12.

In order to provide for the funds needed to make the above payments and to pay off the outstanding losses, the company obtained loans from various banks and trust companies pledging its securities as collateral. Attached hereto as Exhibit A is a list of the securities owned by this company on February 16, 1904.

The first loan was obtained February 19, 1904, and later on others were obtained as the money was needed. The amounts of these loans varied from time to time, the following schedule showing the amount of said loans at different periods:

	Amount of loans		Amount of loans
Feb. 28, 1904	\$250,000	Dec. 31, 1905	\$820,000
March 31, 1904	530,000	June 30, 1906	1,000,000
May 31, 1904	700,000	Dec. 31, 1906	1,100,000
June 30, 1904	1,000,000	June 30, 1907	1,100,000
Dec. 31, 1904	800,000	Sept. 30, 1907	1,035,000
June 30, 1905	800,000	Oct. 31, 1907	800,000

The financial condition of this company on October 31, 1904, when substantially all payments due on account of reinsurances had been made, was as follows:

ASSETS

Market value of stocks and bonds.....	\$1,603,834 00
Cash	23,461 07
Real estate	1,000 00
All others	10,000 00
Total assets	\$1,638,295 07

LIABILITIES

Unpaid losses	\$89,195 64
Borrowed money	800,000 00
Unpaid bills, etc.....	15,000 00
Capital	200,000 00
Surplus	444,099 43
Total liabilities	\$1,638,295 07

The amounts retained for commissions under the reinsurance contracts had made the impairment of its capital good, and left the company with a substantial surplus. On December 31, 1904, this surplus amounted to \$462,134.90 and on December 31, 1905, to \$553,301.55, this increase being due to the appreciation in market values of its securities.

Attention is herewith called to the fact that the company in its annual report to the Insurance Department for the year ending December 31, 1904, then reported a surplus over its capital and

all other liabilities of \$299,235.41 and on December 31, 1905, a surplus of \$299,537.18. Mr. Stone, the president, states that these differences were due to the fact that market values of its securities were not used in the annual reports for those years, but that the values of the securities were carried in the annual reports at figures considerably lower than the then market values.

On December 31, 1906, the surplus as reported to the department amounted to \$297,931.67 and Mr. Stone informs me that, on a market value basis, this surplus would have been considerably larger.

After the matters connected with the reinsurance of its business had been settled, this company's principal business seems to have been of a financial character, such as looking after and obtaining loans on its securities, transferring loans from one bank or trust company to another, withdrawing pledged securities and putting others in their places, and keeping track of the market value of its holdings. Additional securities were purchased from time to time, the right to subscribe for same having been allotted to the company on account of its stock holdings. Semi-annual dividends of 5 per cent. on its capital stock were paid during the years 1904, 1905 and 1906 respectively, and for the first half of 1907. Mr. Stone, the president, received an annual salary of \$15,000 during the years 1904, 1905, 1906 and 1907, and Mr. Ward, the secretary, an annual salary of \$4,200 during those years. At any time during the years 1904 (after February 16th), 1905 and 1906 this company could have paid off all its outstanding indebtedness and had left a substantial surplus over and above its capital stock.

During the latter half of 1907 the situation regarding the loans obtained by this company was changed. The drop in the stock market in March, 1907, had reduced the company's equity in its securities, but the slump in October of that year reduced the company's equity to zero and the banks sold the securities to pay off the loans obtained by the Greenwich from them. After the crash the company found it owned 500 shares of the preferred stock of the Hocking Valley Railroad, \$12,000 of United States Government bonds, 38 shares of the Automatic Fire Alarm Company and 100 shares of the Great Northern Iron Ore Properties.

the balance of its securities having all been sold to pay off its loans.

Mr. Stone, the president, was the largest stockholder of the Greenwich and as such the heaviest individual loser through its financial transactions.

Attached hereto as Exhibit "B" is a list of the securities sold by the company during the last half of 1907. Exhibits "C," "D" and "E" show the list of stocks and bonds sold by the Chase National Bank, the Washington Trust Company, and the United States Trust Company, respectively, to pay off the respective loans made by them to this company.

The membership of the board of directors from June 6, 1903, to November 22, 1909, is herewith set forth:

Marvin A. Stone.....	1903—Present member
Allen S. Apgar.....	1903—1906
A. C. Brown.....	1903—1908
Wm. P. Douglass.....	1903—1909
W. M. Harriott.....	1903—Present member
J. L. Riker.....	1903—1908
R. B. Suckley.....	1903—1909
E. Bailey.....	1903—Present member
G. E. Wagner.....	1903—1905
W. B. Ward.....	1903—1909
G. H. Johnson.....	1903—Present member
F. W. Senff.....	1903—Present member
S. Taylor.....	1903—1909
G. F. Gantz.....	1903—Present member
H. M. Brush.....	1903—Present member
W. B. Wills.....	1903—1909
Wm. Thompson.....	1903—1904
H. E. Montgomery.....	1904—1909
F. P. Furnwald.....	1904—1907
J. C. H. Trost.....	1905—1908
S. J. Barkley.....	1906—1908
J. W. R. Crawford.....	1908—1909
G. J. Kirstein.....	1908—1909

Change in Control

The stock certificate book and ledger show 3,017 shares of the capital stock stand in the name of M. A. Stone. Mr. Stone informs me that his stock has been sold to Jameson & Frelinghuysen, but that the stock has not yet been transferred. He also states that they have purchased other shares of stock bringing

up their holdings at present to about 3,600 shares of the capital stock of the Greenwich, the total issue being 8,000 shares.

The board of directors as now constituted consists of the following members:

Mason A. Stone	G. F. Gantz	E. C. Jameson
S. W. Harriott	H. M. Bush	J. P. Murray
E. Bailey	J. S. Frelinghuysen	F. T. Nesbit
G. H. Johnson	I. V. Meserole	W. H. Kellner
F. W. Senff	H. A. Loth	L. R. Bowden

The eight last named directors were elected November 22, 1909, and previous to that time had no connection with this company.

The present officers of this company are as follows: President, Mason A. Stone; secretary, Frederick W. De Hart. Mr. De Hart was elected secretary on November 22, 1909. The officers have received no salary since January 1, 1908.

Respectfully submitted,

ARTHUR F. SAXTON,
Examiner

STATE OF NEW YORK, }
COUNTY OF NEW YORK } ss.:

Arthur F. Saxton, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

ARTHUR F. SAXTON.

Subscribed and sworn to before me
this 23d day of December, 1909.

[L. s.] ISAAC FULD,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, December 22, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your appointment No. 2,291, hereto annexed, directing an examination of the New York Fire Lloyds of New York, the following information is respectfully submitted:

The franchise rights of this association were secured from E. J. Kennedy on May 4, 1896. Messrs. J. W. Patterson and W. J. Howey negotiated for the purchase of said franchise in behalf of the newly formed set of underwriters, and were in turn appointed attorneys-in-fact, together with L. R. Jones and A. E. Cortis. Jones resigned shortly after, but Messrs. Patterson, Howey and Cortis continued until January, 1908, at which time said Howey resigned, leaving Messrs. Patterson and Cortis as attorneys-in-fact. From another source it was ascertained that, at the present time, Messrs. Patterson, Howey and Cortis are the owners of all rights in said franchise.

In an interview with W. J. Patterson, of No. 220 West 47th street, New York City, he stated that he had recently transferred his interest in the so-called charter of the association to W. J. Howey, and in return said Howey had assigned to him his share of claim against the underwriters. It would thus appear that said Howey still retains some interest in the association. A. E. Cortis, of No. 100 William street, New York City, stated that, while still an attorney-in-fact of this association, he had not been active in its affairs since the year 1906.

According to information, the financial statement of said association on December 2, 1909, was as follows:

ASSETS	
Cash in bank	\$20 07
<hr/>	
LIABILITIES	
Unpaid loss	\$969 02
Miscellaneous expenses	7,992 60
Due for borrowed money	1,150 00
<hr/>	
Total liabilities	\$10,111 62
<hr/>	

A verification of the above statement was not made, with the exception of the asset item, cash in bank.

The items under the head of liabilities were obtained from W. J. Patterson, and, with the exception of the item of unpaid loss, represent his claim against the underwriters, as referred to above.

The aforesaid item, unpaid loss, is again referred to in a statement made by Menken Brothers and attached to this report.

The policy registers show that the association discontinued an active fire insurance business in December, 1903, but, since said date, a few policies have been issued, the most recent of which bears date October 15, 1908, and expired October 15, 1909.

The names and addresses of the underwriters of this association are as follows:

L. J. Merritt, Sr., 40 Wall street, New York city.
 H. W. Douty, 30 Broad street, New York city.
 I. J. Merritt, Jr., 40 Wall street, New York city.
 W. J. Howey, 218 West Forty-seventh street, New York city.
 Horace E. Fox, 105 West Sixty-second street, New York city.
 Charles H. Merrill, Exeter, N. H.
 George Holmes, 30 Broad street, New York city.
 George Reuter, Jr., 124 West Eighty-first street, New York city.
 Andrew R. Baird, 578 Madison street, Brooklyn, N. Y.
 J. W. Patterson, 218 West Forty-seventh street, New York city.
 A. E. Cortis, 100 William street, New York city.
 F. G. Pauly, 189 Water street, New York city.

Respectfully submitted,

CHARLES H. GARDNER,
Assistant Examiner.

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

CHARLES H. GARDNER.

Subscribed and sworn to before me
 this 22d day of December, 1909.

[L. S.] ISAAC FULD,
Notary Public, New York County.

Mortimer Menken, of the firm of Menken Brothers, Attorneys and Counsellors at Law, 87 Nassau street, New York City, hereby certifies that the firm of Menken Brothers, of which he is a member has, from the year 1903 to date, had charge of the adjustment and litigation of the contested claims brought against the Underwriters of the New York Fire Lloyds; that all such

claims have been settled with the exception of one, namely; a claim brought by the Hammond and Omaha Packing Company, on which there is still a small balance in dispute; that said claim has been in court for over five years and that no action has been taken by the plaintiff to push it to an issue.

MENKEN BROTHERS,

By MORTIMER M. MENKEN.

New York, December 15, 1909.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, December 23, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

HON. THOMAS B. LOVE, *Commissioner of Insurance and Banking,
Austin, Texas.*

Sirs.—In accordance with your instructions, we have made an examination of the condition and affairs of the Fidelity and Casualty Company of New York.

It was decided to make the examination as of December 31, 1908, in order to avoid estimates as far as possible and use actual transactions in their place.

This company was incorporated in 1874 under an act of the Legislature of the State of New York, entitled "An act to provide for the incorporation of Life and Health Insurance Companies * * * passed June 24, 1853, and amended by chapter 328 of the laws of 1865."

The original name of the company at the time of its incorporation was the "Knickerbocker Plate Glass and Accidental Insurance Company of New York." In 1876 the name was changed by a special act of the Legislature to the "Knickerbocker Casualty Insurance Company of New York." In 1880 the name was again changed by a special act of the Legislature to the "Fidelity and Casualty Company of New York."

At the time the company was incorporated, the capital stock was \$100,000. This was increased to \$250,000 in 1881. In 1903 the capital was again increased to \$500,000 by a stock dividend of \$250,000, and in 1906 by a stock dividend of \$500,000 the capital was increased to \$1,000,000, at which amount it now stands.

The following is a statement of the condition of the company as of December 31, 1908:

INCOME

Net cash received for premiums.....	\$6,321,567 59	
Interest on bonds and dividends on stocks..	269,808 90	
Interest on deposits in trust companies and banks	1,260 36	
Interest from all other sources.....	977 37	
Rents from company's property.....	73,952 65	
Unearned premiums held under contract with Munich Reinsurance Co.....	1,581 40	
Fidelity insurance fund.....	1,209 66	
Suspense account	760 25	
Profit and loss account.....	1,371 78	
From agents' balances previously charged off	743 71	
		<hr/>
Total income		\$6,673,233 85
Ledger assets, December 31, 1907.....		7,007,105 22
		<hr/>
Total		\$13,680,339 07

DISBURSEMENTS

Losses	\$2,429,376 33
Investigation and adjustment of claims....	461,754 14
Commissions	1,735,961 54
Salaries and all other compensation of offi- cers and home office employees.....	501,547 04
Salaries, travelling and all other expenses of agents	344,172 83
Medical examiners' fees and salaries.....	6,616 28
Inspections	215,865 67
Rents	49,916 29
Repairs and expenses on real estate.....	34,526 60
Taxes on real estate.....	16,325 74
State taxes on premiums.....	99,436 36
Insurance Department licenses and fees....	19,266 76
Legal expenses	6,332 15
Advertising	19,344 02
Printing and stationery.....	84,348 98
Postage, telegraph, telephone and express..	36,615 99
Furniture and fixtures.....	5,645 83

Dividends	\$160,000 00
Interest	3,209 28
Exchange	2,670 30
Subscriptions	564 59
Sundries	22,130 36
Profit and loss	148 10
Agents' balances charged off	608 90
Loss on sale of bonds	564 37

Total disbursements	\$6,256,940 03
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Balance	\$7,423,390 02
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LEDGER ASSETS

Book value of real estate	\$970,499 58
Book value of bonds and stocks	6,160,752 35
Cash in company's office	10,129 45
Deposits in trust companies and banks	200,373 28
Bills receivable	1,210 54
Agents' balances	80,424 82

Total ledger assets	\$7,423,390 02
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NON-LEDGER ASSETS

Interest due and accrued on bonds	\$39,023 31
Interest due and accrued on other assets	968 82
Rents due and accrued	704 60
Market value of real estate over book value	10,738 15
Market value of bonds and stocks over book value	436,174 15
Gross premiums in course of collection	974,684 87

1,462,293 90

Gross assets	\$8,885,683 92
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DEDUCT ASSETS NOT ADMITTED

Bills receivable	\$1,210 54
Gross premiums in course of collection, written prior to October 1st	138,552 23
Agents' balances	80,424 82

220,187 59

Total admitted assets	\$8,665,496 33
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LIABILITIES

Losses and claims:

Accident	\$323,972 90
Health	148,019 17
Fidelity	80,966 37
Plate glass	8,671 86
Steam boiler	19,344 63

Burglary and theft.....	\$48,872 84	
Fly wheel	1,040 06	
Workmen's collective	1,743 81	
Total	\$632,631 64	
Special reserve for unpaid liability losses...	1,130,978 02	
<hr/>		
Total unpaid losses and expenses of settlement.....		\$1,763,609 66
Unearned premiums		3,570,269 09
Commissions		232,516 76
Salaries, rents, expenses, bills and accounts due and accrued		38,224 73
State, county and municipal taxes due and accrued.....		76,703 21
Interest due and accrued.....		1,225 00
Reinsurance		9,274 19
Fidelity insurance fund.....		9,791 82
Reinsurance due Munich Reinsurance Co.....		47,477 62
Suspense account		3,652 80
Sundry ledger liabilities.....		1,467 81
<hr/>		
Total liabilities, except capital.....		\$5,754,212 69
Capital	\$1,000,000 00	
Surplus	1,911,283 64	
<hr/>		
Surplus as regards policyholders.....		2,911,283 64
<hr/>		
Total liabilities		\$8,665,496 33
<hr/> <hr/>		

ANALYSIS

The income and disbursement portions of the statement were checked and found correct. It will be noticed, however, that the company carries an item of \$5,953.49 which represents the difference between the "Liability for premiums paid in advance December 31, 1907," and the corresponding item on December 31, 1908. In reality, these items are not advance premiums in the strict sense of the term, consisting of those items which were received by the company before the close of the year and which were not properly identified. In consequence, the company has taken credit for these items under gross premiums in course of collection, and has charged itself with a corresponding item in advance premiums under liabilities. The company's method of treatment does not affect the surplus at all. In the statement prepared by us, this item has been eliminated from both the income and disbursement portions, it being felt that an item of this nature does not properly belong in an exhibit prepared upon a cash basis.

Real Estate

The real estate owned by the company consists of three (3) parcels:

The present home office building.

An addition in course of construction.

Philadelphia property used for company's purposes.

The home office property of the company was acquired about fifteen (15) years ago and a twelve (12) story office building erected. The appraiser reports that it is in "generally good condition." The property is being carried by the company on its books at the present time at \$572,104.39, which figure represents the actual cost to the company, no allowance having been made for depreciation or wear and tear. The appraiser, Mr. John J. Pulley (who also appraised the addition to the home office building) states that the land is worth \$400,000 and the improvements \$175,000, making a total of \$575,000.

Since December 31, 1908, the company has removed the seven story building which occupied the site of the addition now in process of construction. In consequence, the value at that date could not be considered as anything but the value of the land. The appraiser reports that this is worth \$350,000 and the company in its annual statement carried this at a market and a cost value of \$342,157.46.

The Philadelphia property was appraised at the time of the examination made by the New York Insurance Department in 1903. It was deemed unnecessary to have another appraisal at this time and this asset has therefore been allowed at the figure carried by the company in its annual statement, \$56,237.73.

Loans on Collateral

The company had no money loaned on collateral at the end of 1908, although during 1909 it has loaned money on call through the American Exchange National Bank, the bank holding the collaterals for the loans and reporting any substitutions. If the collaterals deposited are satisfactory to the officers of the company, the loan is permitted to stand and is reported at the next meeting of the Finance Committee, the same procedure being followed with regard to substitutions of collateral. The bank

assumes no responsibility in connection with these loans and charges no fee, as indicated by the following statement which is printed on letters of advice from the bank:

In Relation to Loans

"In making loans for your account we exercise the same care as to names, collaterals and custody of securities as we do with our own, but without further responsibility. The securities are subject to change for others of similar character and value without advice."

Bonds and Stocks

The presence of the bonds and certificates of stock was ascertained, and the amount on hand agreed with the amount carried in the annual statement of the company when adjusted with the sales and purchases during 1909. Some of the securities were represented by certificates of deposit with the following insurance departments:

Where Deposited.	Description.	Par. Value.
Canada	Commonwealth of Massachusetts, 3½'s water loan bonds.....	\$100,000 00
Ohio.....	U. S. of America, 4's, bonds.....	81,000 00
Virginia.....	City of Lynchburg, 4's, bonds.....	38,000 00
Virginia.....	City of Richmond, 4's, stock.....	12,500 00
New York....	City of New York, 3½'s, bonds.....	155,000 00
New York....	City of New York, consolidated stock, 2½'s	100,000 00
New York....	City of New York, consolidated stock, 3½'s	100,000 00
New York....	City of New York, corporate stock, 3½'s	25,000 00

The securities owned by the company were appraised by the Audit Bureau of the New York Insurance Department, with the following results:

Security.	Market Value (Company's Statement)	Market Value (Appraised)
Bonds	\$2,645,436 19	\$2,661,350 00
Stocks	3,911,176 88	3,935,576 50
	<u>\$6,556,613 07</u>	<u>\$6,596,926 50</u>

A schedule of these securities is attached to this report.

Cash in Office

This item was verified on the morning of January 2, 1909, by representatives from the New York Insurance Department.

Deposits in Banking Institutions

These deposits were verified in the usual manner by reconciling the certificates received from the institutions with the outstanding checks. Included with these items, however, are certain special deposits provided for the use of agents and representatives in distant cities for the purpose of paying current expenses and subject to their withdrawal. In reconciling the certificates from these banks with the agents' reports, it appeared that in some cases the deposits, representing premium collections, were mingled with the "special deposits" and in four branch offices checks were drawn in excess of the amount deposited.

It is advisable that these accounts be kept strictly separate in the future and the agents instructed that at no time should checks be drawn in excess of the balance. Certain disbursements, which were made by representatives and of which the company could not have had any definite knowledge before December 31st, were taken into account by your examiners in making up the liability item of accrued bills.

Accrued Interest on Bonds

The amount in the above statement is \$1,500 less than the corresponding figure in the company's annual statement. This is caused by a deduction of the accrued interest on the bonds of the Metropolitan Street Railway Company which are in default, and this item has therefore been disallowed.

Interest Accrued on Other Assets

This item in the above statement differs from the corresponding one in the company's statement by \$2,225 made up as follows:

Accrued interest on Lake Shore and Michigan	
Southern Railway stock	\$2,000 00
Southern Pacific Company common.....	225 00
	<hr/>
	\$2,225 00
	<hr/>

These are accrued dividends on these stocks, credit for which has been given the company in the computation of the market value of its securities.

Gross Premiums in Course of Collection

The total amount carried into the foregoing financial statement has been reduced by \$18,904.03, which the company charged in liabilities as advanced premiums, it being properly money received for premiums before the end of the year and held in suspense. From the total amount, \$138,552.23 has been deducted for premiums more than three months due, which is \$12,811.88 more than the amount deducted by the company.

Unpaid Losses

It will be noted that the company's estimate in its annual statement of the present value of its unpaid claims and expenses of settlement (with the exception of the liability losses) is \$498,619.60. An accurate determination of the unpaid claims in the various departments has led us to fix this item at \$632,631.64. The principal difference is in the personal accident and health departments, for which the company carried a liability of \$351,438.01, and the figure in the statement shown in this report is \$471,992.07.

In preparing this liability it was the practice of the company to divide the outstanding claims into "serious" and "non-serious." For the serious cases a specific estimate was made on each individual case. For the non-serious cases the company used an average factor based on the loss payments of the year. In arriving at the amount carried in the financial statement in this report, your examiners carried the actual amount paid on all losses settled since the first of the year, and on those still outstanding made a specific estimate for each loss.

In June, 1909, the company became convinced that its outstanding loss reserve in these two departments was insufficient and increased its estimate at that time by about \$100,000.

Special Reserve for Unpaid Liability Losses

The company's method of ascertaining its liability on the unpaid liability claims as prescribed by section 86 of the Insurance

Law of the State of New York, was tested and the results were found to be correct.

The statutes in the different states relative to the method of calculating this liability differ, and the following table shows the liability as calculated by the statutes in those states which have reserve laws:

New York and Massachusetts.....	\$1,130,978 02
Connecticut	1,032,882 82
Illinois and California	993,016 54

In Michigan, the company has simply used the same figure which was employed in the New York and Massachusetts statements, although the method laid down by the statute differs, adding an arbitrary item of \$250,701.76 to produce the same result.

Unearned Premium Account

The company maintains the unearned premium reserve liability in accordance with the requirements of the annual statement blank, namely, 50 per cent. on premiums running one year or less and a *pro rata* on the others. If the unearned premium on the business running one year or less had been computed on the *pro rata* basis using semi-monthly fractions (which gives a much closer approximation to the unearned premium reserve required by section 86 of the Insurance Law of the State of New York) the total amount would be \$149,583 less than the amount used by the company, in its annual statement and used by us in this report.

In testing the accuracy of the details of the company's calculation of the unearned premium reserve on the annual statement basis, numerous errors were discovered, and it would seem that greater care should be exercised by the company in the preparation of this important item of liabilities.

Reinsurance Due Munich Reinsurance Company

It will be noted that, in the statement filed by the company, it has included among its non-ledger assets an item of \$47,477.62 for reserve held for account of the Munich Reinsurance Company; that it has deducted this item under assets not admitted, and that it has included the same item among its liabilities. It is

not quite clear to your examiners why this method should have been followed. It is unnecessary in our opinion to include this item among the non-ledger assets, but it of course belongs in liabilities.

Capital Stock

We attempted to check the outstanding capital stock certificates with the stubs of the certificate books, but this was found to be impossible as one book dealing with five hundred (500) certificates was missing; in another book five (5) stubs and five (5) certificates were missing, and in the same book, a cancelled certificate for five (5) shares was missing. These shares, however, refer to old issues, and the ledger account dealing with the dividends paid to stockholders would seem to indicate that the outstanding capital stock amounts to \$1,000,000.

Surplus

The surplus shown in the company's annual report is \$2,011,834; the surplus shown in the above statement is \$1,911,283.64, although using the *pro rata* basis for calculating the unearned premium reserve (as already explained a method giving a much closer approximation than the 50 per cent. method) would give a surplus of \$2,060,866.64; the difference of \$100,550.36 between the surplus in the statement in this report and the surplus shown in the company's annual statement is accounted for as follows:

Items	Increase	Decrease
Market value of real estate	\$10,738 15	.....
Market value of bonds and stocks..	40,313 43	.....
Interest due and accrued on bonds..	.....	\$1,500 00
Interest due and accrued on other assets . . . . .	.....	2,225 00
Increase in premiums more than 3 months past due .....	.....	12,811 88
Losses and claims in process of adjustment . . . . .	.....	134,012 04
Reinsurance premiums due other companies . . . . .	.....	1,053 02
	<hr/> \$51,051 68	<hr/> \$151,601 94
Net decrease in surplus.....		<hr/> \$100,550 36

All of the other items in the statement are self explanatory.

Business Methods

For reasons unknown to us, the company has not reported to the various departments its experience on the surety bonds issued by it, separately from the fidelity policies which have been issued. This cannot be explained upon the theory that the transactions in the surety department were inconsiderable, for during 1908 the premiums written and the number of bonds issued in the various surety departments have been as follows:

Department	No. of Bonds	Premiums
Depository	391	\$26,482 47
License	616	3,568 50
Supply and contract	568	4,280 50
Miscellaneous	632	12,445 36
Custom house	7,119	13,041 83
Excise	2,869	48,654 12
		<hr/> <hr/> \$108,472 78 <hr/> <hr/>

The losses which have been sustained by the company on its surety bonds are shown in the following schedule. It must be borne in mind, however, that many of the excise losses which were paid in 1908 were incurred on bonds issued prior to that year, and that since December 31, 1908, there have been additional recoveries which, in the case of depository bonds, amount to a substantial figure.

Department	Losses Paid	Recoveries	Net Losses
Depository	\$112,215 66	\$29,745 98	\$82,469 68
Excise	51,477 14	16,397 40	35,079 74
Internal revenue	487 47	95 50	391 97
Custom house	202 90	202 90	.....
Employment agency	84 35	.....	84 35
Freight charge guarantee	66 25	66 25	.....
	<hr/> \$164,533 77 <hr/>	<hr/> \$46,508 03 <hr/>	<hr/> \$118,025 74 <hr/>

It is recommended that in future statements the separation called for by the annual statement be strictly followed.

An inspection of the claim papers indicates to your examiners that the company settles its claims promptly and with no desire to unduly litigate.

The following schedule shows the names of the principal officers and their remuneration:

REPORTS ON OFFICIAL EXAMINATIONS

Officers	Salary	Bonus
George F. Seward, President.....	\$40,000 00	.....
Robert J. Hillas, Vice-President and Secretary	13,000 00	\$2,000 00
C. C. Nadal, Counsel.....	8,000 00	.....
A. W. Parsons, Chief Examiner.....	12,000 00	2,000 00
H. R. Woodward, Superintendent Ac- cident Department	9,000 00	2,000 00
T. E. Gaty, Superintendent Employers' Liability Department	9,000 00	2,000 00
W. F. Learned, Superintendent Burglary Department	6,500 00	1,000 00
W. J. Johnson, Superintendent City De- partment	6,000 00	500 00
E. C. Lunt, Superintendent Fidelity De- partment	5,500 00	1,000 00
A. J. Ferres, Superintendent Plate Glass Department	5,000 00	500 00
W. H. Boehm, Superintendent Steam Boiler and Fly Wheel Department....	5,000 00	.....
D. C. Harvey, Superintendent Inspection Department	5,000 00	500 00
C. D. Everett, Medical Examiner.....	4,000 00	.....

Nothing appears in the examination of the books of the company to indicate that there had been any improper loans made or any diversion of the funds of the company. The president and secretary both made affidavits covering this matter.

Respectfully submitted,

CHARLES HUGHES

Examiner, New York Insurance Department

S. H. WOLFE

Examiner, Texas Insurance Department

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

Charles Hughes and S. H. Wolfe, being duly sworn, depose and say that the foregoing report subscribed by them, being an amendment of report on the same examination subscribed and sworn to on the 28th day of December, 1909, is true to the best of their knowledge and belief.

CHARLES HUGHES

S. H. WOLFE

Subscribed and sworn to before me,
this 14th day of February, 1910.

(L. S.) KATE F. CAHILL,
Notary Public, New York County

SCHEDULE OF SECURITIES

<i>Railroad stocks</i>	Book Value	Par. Value	Market Value
Atchison Topeka & Santa Fe Rwy Co preferred stock....	\$99,000 00	\$100,000	\$102,000 00
Baltimore & Ohio R R Co com- mon stock	49,966 88	49,950	55,444 50
Baltimore & Ohio R R Co pre- ferred stock	187,325 00	200,000	186,000 00
Brooklyn City Railroad Co stock (common par \$10)...	23,167 50	10,000	19,500 00
Chicago & Eastern Illinois R R Co preferred stock	51,200 00	50,000	65,000 00
Chicago Milwaukee & St Paul Rwy Co common stock....	70,890 75	60,000	90,000 00
Chicago Milwaukee & St Paul common installment cert....	34,000 00	34,000	49,640 00
Chicago Milwaukee & St Paul Rwy Co preferred stock....	151,212 50	100,000	164,000 00
Chicago Milwaukee & St Paul preferred installment cert...	68,000 00	68,000	108,800 00
Chicago & North Western Rwy Co common stock	451,628 75	350,000	644,000 00
Chicago & North Western Rwy Co preferred stock.....	77,000 00	50,000	112,500 00
Chicago, Rock Island & Pacific Rwy Co stock	3,700 00	3,700	4,255 00
Chicago, St. Paul Minn. & Omaha Rwy pref stock....	70,150 00	50,000	86,500 00
Cleveland Cincinnati Chicago & St Louis Rwy Co com stock.	9,000 00	10,000	7,000 00
Cleveland Cincinnati Chicago & St Louis Rwy Co pref stock.	51,193 75	50,000	49,500 00
D & H Canal Co stock.....	74,725 00	60,000	108,000 00
Great Northern Rwy Co pre- ferred stock	88,543 36	62,000	91,140 00
Hocking Valley Railway Co preferred stock	92,625 00	100,000	93,000 00
Illinois Central R R Co stock.	79,759 38	60,000	89,400 00
Lake Shore & Michigan Southern Rwy Co stock....	52,450 00	40,000	114,000 00
Lehigh Valley R R Co stock (par value \$50) common....	196,412 50	150,000	228,000 00
Morris & Essex Ext R R guar- antee stock	49,622 50	51,700	52,217 00
Morris & Essex R R Co stock (par value \$50).....	8,550 00	5,000	9,250 00
N Y Lackawanna & Western Rwy Co 5% guarantee stock.	58,850 00	55,000	69,850 00
Northern Pacific Rwy Co stock.	68,956 12	40,000	57,200 00

<i>Railroad stocks</i>	Book Value	Par Value	Market Value
Northern Pacific Rwy Co installment certificate	\$21,000 00	\$21,000	\$30,030 00
Northern Securities Co stock..	1,500 00	1,000	1,320 00
Pennsylvania R R Co stock (par value \$50) common....	521,924 75	400,000	528,000 00
Pitts Bess & Lake Erie R R Co com. stock (par value \$50) ..	70,053 75	100,000	70,000 00
Pitts Cinn Chicago & St Louis Rwy Co preferred stock.....	50,275 00	55,000	58,850 00
Pitts McKees & Young R R Co guar stock (par value \$50) ..	60,875 00	50,000	62,500 00
Rome Watertown & Ogdensburg R R Co stock (guaranteed by N Y C).....	33,050 00	30,000	37,800 00
Southern Pacific Co com stock.	10,012 50	15,000	18,300 00
Union Pacific R R Co preferred stock	223,750 00	250,000	240,000 00
Union Pacific R R Co common stock	38,150 00	35,000	64,050 00
United New Jersey R R & C Co stock	45,243 75	20,000	51,000 00
	<hr/> \$3,243,823 74	<hr/> \$2,786,350	<hr/> \$3,818,046 50
<i>Miscellaneous stock</i>			
Brooklyn Union Gas Co stock.	\$45,000 00	\$20,000	\$29,600 00
Consolidated Gas Co N Y stock.	44,270 75	37,500	48,750 00
Great Northern Rwy Co ore certificate	32,961 50	40,000	29,200 00
Amalgamated Copper Co stock.	2,715 00	6,000	4,980 00
Anaconda Copper Mining Co stock (par value \$25).....	3,025 00	2,500	5,000 00
	<hr/> \$127,972 25	<hr/> \$106,000	<hr/> \$117,530 00
Totals	<hr/> \$3,371,795 99	<hr/> \$2,892,350	<hr/> \$3,935,576 50
<i>Government bonds</i>			
United States reg 4% due 1925.	\$108,165 00	\$81,000 00	\$97,200 00
<i>State bonds</i>			
Commonwealth of Massachu- setts 3½% gold due 1935 (Metropolitan water loan) ..	\$73,058 48	\$70,000 00	\$68,600 00
Commonwealth of Massachu- setts 3½% gold due 1938 (Metropolitan water loan) ..	32,100 00	30,000 00	29,400 00
	<hr/> \$105,158 48	<hr/> \$100,000 00	<hr/> \$98,000 00

<i>Municipal bonds</i>	Book Value	Par Value	Market Value
City of Lynchburg Va ref 4% due 1935	\$13,455 00	\$13,000 00	\$12,480 00
City of Lynchburg Va water 4% due 1938	25,500 00	25,000 00	24,000 00
City of New York 3½% gold exempt (docks and ferries) due 1929	77,525 00	70,000 00	65,100 00
City of New York 3½% gold exempt (streets) due 1940..	95,943 75	85,000 00	77,360 00
Consolidated stock of the City of New York 2½% due 1929.	100,250 00	100,000 00	81,000 00
Consolidated stock of the City of New York 3½% due 1915 (known as "Additional Wa- ter Stock of the City of New York")	105,750 00	100,000 00	97,000 00
Corporate stock of the City of New York 3½% due 1954 (for the construction of the Rapid Transit Railroad)	24,500 00	25,000 00	22,500 00
City of Richmond Va 4% guar stock due 1923	10,100 00	10,000 00	10,100 00
City of Richmond Va 4% guar stock due 1925	2,500 00	2,500 00	2,550 00
	<hr/> \$455,523 75	<hr/> \$430,500 00	<hr/> \$392,080 00

<i>Railroad bonds</i>			
Albany & Susquehanna R R Co 1st mtge 3½% 40-year gold due 1946	\$14,000 00	\$14,000 00	\$13,960 00
Atch Top & Sante Fé Ry Co 4% adjustment due 1995 stamped	90,250 00	100,000 00	92,000 00
Atch Top & Sante Fé Ry Co 4% conv gold due 1955	33,461 12	33,000 00	33,980 00
Brooklyn & Montauk R R Co 1st mtg 5% due 1911	27,434 00	25,000 00	25,000 00
Canada Southern Rwy Co 1st mtge 6% due 1913	26,445 00	25,000 00	26,500 00
Central Ohio R R Co 1st mtge 4½% due 1930	25,000 00	25,000 00	24,750 00
Central R R of N J 1st mtge 5% gold due 1987	25,625 00	25,000 00	32,000 00
Chesapeake & Ohio Rwy Co 1st mtge 4% due 1989 (R & A Div)	47,692 50	50,000 00	49,500 00

<i>Railroad bonds</i>	Book Value	Par. Value	Market Value
Chic Ind & Southern R R Co 4% gold due 1956.....	\$137,812 50	\$150,000 00	\$142,500 00
Chic R I & Pacific Ry Co gen'l mtge 4% gold due 1988.....	104,875 00	100,000 00	100,000 00
Chic R I & Pacific R R Co 4% gold due 2002.....	43,000 00	50,000 00	39,000 00
Cinn Ind St Louis & Chic Ry Co gen'l 1st mtge 4% due 1936	23,625 00	25,000 00	24,750 00
Delaware & Hudson Co 4% 10- year gold deb due 1916.....	20,000 00	20,000 00	20,200 00
Erie R R Co Penna col trust 4% gold due 1951.....	187,737 50	200,000 00	172,000 00
Erie R R Co prior lien 4% gold due 1996	45,825 00	50,000 00	44,500 00
Iowa Central Ry Co 1st mtge 5% gold due 1938.....	26,785 00	25,000 00	27,250 00
Lake Erie & Western R R Co 1st mtge 5% gold due 1937..	25,996 53	25,000 00	28,250 00
Lake Shore & Mich Southern Ry Co 4% gold due 1928....	99,875 00	100,000 00	95,000 00
Lake Shore & Mich Southern Ry Co 4% gold due 1931....	138,000 00	150,000 00	142,500 00
Metropolitan Street Ry Co 4% ref 100-year gold due 2002..	44,500 00	50,000 00	30,000 00
Minneapolis St Paul & Sault Ste Marie Ry Co cons 4% 50- year gold due 1938.....	75,187 50	75,000 00	74,250 00
Norfolk & Western Ry Co & Pocahontas Coal & Coke Co 1st mtge 4% joint due 1941.	92,656 25	100,000 00	90,000 00
Northern Pacific & Gt Northern col trust 4% joint C B & Q col due 1921.....	192,342 50	200,000 00	196,000 00
Pitts Clev & Toledo R R Co 1st mtge 6% gold due 1922.....	22,050 00	21,000 00	22,680 00
Rio Grande Western Ry Co 1st trust mtg 4% gold due 1939.	50,730 00	50,000 00	47,500 00
Southern Rwy Co cons 1st mtge 5% gold due 1994.....	118,000 00	100,000 00	107,000 00
St Louis Iron Mountain & So Ry Co (R & G Div) 1st mtge due 1933	94,500 00	100,000 00	89,000 00
Union Pacific R R Co 1st mtge 4% gold due 1947.....	51,128 75	50,000 00	51,500 00

<i>Railroad bonds</i>	Book Value	Par Value	Market Value
Wabash R R Co 1st mtge 5% due 1939	\$25,500 00	\$25,000 00	\$28,250 00
Wisconsin Central Ry Co 1st gen'l mtge 4% gold due 1949	27,200 00	30,000 00	27,000 00
	<hr/> \$1,937,234 15	<hr/> \$1,993,000 00	<hr/> \$1,896,730 00
 <i>Miscellaneous bonds</i>			
Brooklyn Union Gas Co 6% conv deb due 1909.....	\$4,000 00	\$4,000 00	\$5,840 00
Kanawha & Hocking Coal Co 1st mtge 5% s f gold due 1951	153,875 00	150,000 00	147,000 00
Western Union Telegraph Co col trust 5% due 1938.....	25,000 00	25,000 00	24,500 00
	<hr/> \$182,875 00	<hr/> \$179,000 00	<hr/> \$177,340 00
Totals	<hr/> \$2,788,956 36	<hr/> \$2,783,500 00	<hr/> \$2,661,350 00

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *January 10, 1910.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—The examination of the Lloyds, New York of New York, directed to be made by your appointment No. 2293, hereto annexed, dated November 12, 1909, has been completed.

The following report showing the condition of the association on December 31, 1909, is respectfully submitted:

ASSETS

Cash in office.....	\$28 25
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LIABILITIES

Unearned premium fund	\$7 00
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The premium income of this association for the year 1909 amounted to \$14. The total insurance in force is the sum of

\$2,150. The present owners of the franchise bought the same from Thomas R. Tobin on February 2, 1909, and at a meeting held by the new subscribers on the above mentioned date the name of the association was changed from The Old Colony Fire Office to the Lloyds, New York of New York.

From reports of previous examinations of this association it would appear that the rights of the association to conduct business had been questioned. This fact was known when the franchise of the association was purchased, but relying on statements contained in correspondence with the Insurance Department, copies of which are hereto annexed, they procured the same notwithstanding.

This association has not been actively engaged in business during the past year owing to litigation which arose over desire of the attorney-in-fact to incorporate as "Lloyds New York Incorporated" and said litigation was decided against them as the name was considered misleading. It was ascertained from the present attorney-in-fact that it was his intention to resign and that Messrs. Douglas Brothers of Amherst, Nova Scotia, and New York, would succeed him. The new attorneys-in-fact propose to have twenty-five (25) underwriters depositing \$25,000 in New York city and acknowledging a total liability of \$225,000 additional.

The present underwriters of this association, each assuming an unlimited liability, are as follows: R. H. Folsom, 1 Liberty street, New York; Louis Lorence, 100 William street, New York; Luther Holton, 185 Lefferts avenue, Brooklyn.

Respectfully submitted,

CHAS. H. GARDNER,

Assistant Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHARLES H. GARDNER.

Subscribed and sworn to before me
this 11th day of January, 1910.

ISAAC FULD,
Notary Public, N. Y. County.

EXHIBITS

STATE OF NEW YORK
INSURANCE DEPARTMENT,

ALBANY, May 21, 1908.

Messrs. TOBIN & TOBIN, *Attorneys, Seaboard Fire Underwriters of New York, 100 William Street, New York City.*

GENTLEMEN.—Upon investigation and a hearing of the facts connected with the organization of the Seaboard Fire Underwriters of New York, this department, in conjunction with the Attorney-General's office, has arrived at the conclusion that the predecessors of the Seaboard Fire Underwriters of New York were legally engaged in the business of insurance on the first day of October, 1892, and that nothing has transpired since that time which has deprived the present successors; now known as the Seaboard Fire Underwriters of New York, of the franchise or right to transact insurance business.

Yours truly,

[Signed] FRANCIS HENDRICKS
Superintendent.

STATE OF NEW YORK
INSURANCE DEPARTMENT,

ALBANY, October 1, 1908.

Mr. S. R. TOBIN, *Attorney, Old Colony Fire Office, Room 805, 5 Beekman Street, New York City.*

DEAR SIR.—For your information is enclosed manifold copy of department letter of even date addressed the Attorney-General, with copies of the enclosures therein referred to. With this letter in your possession you will appreciate that the department withdraws that portion of Assistant Examiner Train's report of August 24th questioning the legal incorporation of your aggregation.

Respectfully yours,

[Signed] OTTO KELSEY,
Superintendent.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

January 10, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—I have to report that the examination directed to be made by your appointment No. 2240, hereto annexed, of the Mutual Fire Insurance Company of Albany, New York, has been completed. The examination was made to date of September 30, 1909, and shows the condition of the company on said date to be as follows:

ASSETS		
Bonds	Par Value	Market Value
N Y City gold exempt 3½s 1928.....	\$25,000	\$23,250 00
N Y City Museum 3½s 1917.....	10,000	9,700 00
N Y City reg 4s 1956.....	30,000	30,300 00
Albany City reg 4s water supply 1925.....	5,000	5,100 00
Albany City reg 4s public improvement 1926-29.....	8,000	8,160 00
Stocks		
150 Rome Watertown & O.....	15,000	18,900 00
50 Rens & Saratoga.....	5,000	10,050 00
100 Illinois Central Leased Lines.....	10,000	9,900 00
20 Fort Wayne & Jackson pfd.....	2,000	2,800 00
145 Pittsburgh Ft Wayne & Chicago.....	14,500	25,375 00
80 Morris & Essex \$50 each.....	4,000	7,400 00
50 Kansas City St Louis & Chicago pfd.....	5,000	7,000 00
100 Cincinnati Sandusky & Cleveland pfd \$50 each.....	5,000	6,150 00
50 Cleveland & Pittsburgh \$50 each.....	2,500	4,425 00
109 New York Lackawanna & Western.....	10,900	13,952 00
10 Utica & Black River.....	1,000	1,750 00
61 Cayuga & Susquehanna \$30 each.....	1,830	3,952 80
8 Utica Chenango & Susquehanna Valley.....	800	1,224 00
150 Manhattan R R.....	15,000	21,450 00
25 Central Park North & East River R R....	2,500	875 00
Total par and market value.....	\$173,030	\$211,713 80
Real estate (Dept. appraisal).....		40,000 00
Mortgage loans on real estate.....		8,000 00
Cash in banks.....		5,892 91
Cash in office.....		884 58
Interest accrued on bonds not included in market value.....		1,137 08
Interest accrued on mortgage loans.....		152 07

Interest accrued on bank balance.....	\$22 30
Rents due and accrued on company's property.....	143 74
Outstanding premiums not more than three months due.....	268 42
Deposit with Board of Underwriters of Albany.....	50 00
Premium notes..... (approximate amount \$95,000)	

Total assets	\$268, 264 90
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LIABILITIES

Unearned premiums on one year risk.....	\$1, 105 69
Unearned premiums on term risk	9, 153 73

Total unearned premiums.....	\$10, 259 42
Unpaid losses	None
Insurance taxes accrued.....	60 00

Total liabilities except surplus.....	\$10, 319 42
Surplus to policyholders.....	257, 945 48

Total liabilities	\$268, 264 90
-------------------------	---------------

The company was organized in the year 1836 as a mutual fire insurance company, its charter having been extended in 1886 for a term of thirty years. The company issues policies for a one and three year term on a cash premium basis; it also issues policies on a cash and premium note plan for a term of three years only. In this latter form of contract a cash premium is paid, and in addition, a premium note is given by the assured for an amount representing ten times the amount of cash paid. According to the company's by-laws, said premium notes are not assessable until the surplus has been entirely exhausted. At the date of this examination there are in the possession of the company notes representing approximately \$95,000. Attached to this report is the blank form of said note.

The company's income since January 1, 1909, to date of this examination, amounted to the sum of \$12,643.87, its disbursements for the same period being \$8,405.92. The system of book-keeping in use in the company's office is unsatisfactory in determining its condition. While the volume of business transacted is small, modern methods should be instituted in the keeping of its accounts, which should include a loss book. In the absence of such loss book, an affidavit has been secured from the secretary

to the effect that no unpaid losses exist on date of examination. This affidavit is annexed hereto.

The following is a list of the officers, with the yearly compensation of each: George R. Meneely, president, no salary; David A. Thompson, vice-president, no salary; Edgar C. Leonard, treasurer, \$600; Henry S. Foster, secretary, \$600; C. M. Griswold, assistant secretary, \$2,000.

The secretary receives in addition to the above sum of \$600, a commission of fifteen per cent. on the net premium income received by the company.

Respectfully submitted,

CHAS. H. GARDNER

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHAS. H. GARDNER.

Subscribed and sworn to before me
this 11th day of January, 1910.

[L. s.] ISSAC FULD,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

January 11, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

DEAR SIR.—Acting under appointment No. 2241, dated September 11, 1909, and annexed hereto, we have made an examination of the condition and affairs of the Commerce Insurance Company of Albany, New York, and respectfully submit the following report thereon.

This examination was made as of September 30, 1909, on which date the condition of the company was found to be as follows:

ASSETS*Ledger Assets*

Book value of real estate.....	\$70,000 00	
Mortgage loans on real estate.....	24,800 00	
Book value of bonds.....	\$361,522 00	
Book value of stocks.....	116,945 00	
	<hr/>	478,467 00
Cash in company's office.....	1,276 13	
Cash in bank.....	25,764 39	
Cash in bank (investment deposit).....	912 86	
Uncollected premiums (net).....	39,168 19	
	<hr/>	
Total ledger assets.....		\$640,488 57

Non-Ledger Assets

Interest accrued on mortgage loans.....	\$273 40	
Interest due, \$30, and accrued, \$4,473.05, on bonds	4,503 05	
Interest accrued on bank balances.....	18 93	
Rents due, \$497.50, and accrued, \$341.....	838 50	
	<hr/>	5,633 88
Market value of real estate over book value.....	30,240 00	
Market value of bonds and stocks over book value.....	5,131 00	
	<hr/>	\$681,493 45

Deduct Assets Not Admitted

Uncollected premiums on business written prior to July 1, 1909	2,679 45	
	<hr/>	
Total admitted assets.....		\$678,814 00

LIABILITIES

Unpaid fire claims in process of adjustment, less reinsurance thereon.....	\$15,873 00	
Unearned premiums (one year). \$91,710 67		
Unearned premiums (more than one year)	122,175 33	
	<hr/>	
Total unearned premiums.....	213,886 00	
Accrued taxes on premiums.....	3,250 00	
Commissions	121 13	
Reinsurance premiums	1,406 55	
Agency expenses	56 65	
Printing, \$92.50; advertising, \$261.50; maps. \$100; sundries, \$37.87.....	491 87	
Real estate expenses.....	180 00	
	<hr/>	
Total liabilities except capital.....		\$235,265 20

Capital	\$200,000 00	
Surplus over all liabilities.....	243,548 80	
		<hr/>
Surplus to policyholders.....		\$443,548 80
		<hr/>
Total liabilities, including capital and surplus.....		\$678,814 00
		<hr/>
Balance December 31, 1908, as per Company's statement.....		\$607,825 46

INCOME

(January 1, 1909, to September 30, 1909)		
Premiums, gross	\$246,319 95	
Reinsurance	\$16,081 51	
Return premium	30,394 41	
	<hr/>	46,475 92
		<hr/>
		\$199,844 03
Interest	13,826 05	
Rent	6,024 47	
Commission on reinsurance.....	2,980 22	
Miscellaneous	513 29	
	<hr/>	223,188 06
		<hr/>
Total income		\$831,013 52

DISBURSEMENTS

(January 1, 1909, to September 30, 1909)		
Losses paid to policyholders.....	\$82,460 31	
Less salvage	536 85	
	<hr/>	\$81,923 46
Commissions	54,552 34	
Salaries, officers and employees, \$10,484.94; directors, \$435	10,919 94	
Printing, etc.....	2,446 93	
Underwriter Boards	923 36	
Expenses on real estate (other than tax)....	2,362 32	
Taxes on real estate.....	1,961 37	
State taxes and Insurance Department fees....	4,162 98	
Agency expenses	10,568 72	
Accrued interest on securities purchased.....	724 78	
Dividends paid to stockholders.....	15,000 00	
Loss on sale of stocks.....	4,978 75	
	<hr/>	190,524 95
		<hr/>
Balance, being total ledger assets.....		\$640,488 57
		<hr/>

The Commerce Insurance Company was incorporated in the year 1859, and the life of its charter was extended in the year 1889 for a term of thirty years.

At the time of the Chicago conflagration the capital stock of the company was reduced from \$400,000, consisting of 4,000 shares, par value \$100 each, to \$100,000, consisting of 4,000 shares, par value \$25 each, and immediately thereafter the company was authorized to increase its capital stock in the sum of \$100,000, by an issue of 4,000 shares, par value \$25 each, making the capital, after such increase, the sum of \$200,000.

We have examined the stock certificate books and find that Certificate No. 620 and attached stub are missing, and cannot be accounted for by the officers of the company. Certificates Nos. 619 and 621 were issued July 10, 1878. With the exception of Certificate No. 620, we find that there are outstanding 8,000 shares of capital stock, of the par value of \$25 each, that number of shares also appearing in the stock ledger.

The item of real estate in the list of assets comprises the company's home office building, located at Nos. 53, 55 and 57 State street, Albany, New York, which is carried on the books of the company at a cost of \$70,000. This property has been appraised by Mr. Elmer Havens for the Insurance Department, and his report, dated December 22, 1909, gives a market value of \$100,240. This appraisal results in the company receiving credit in the nonledger assets for \$30,240, being the excess of market value over book value.

In the above list of assets the deposits in banks are reported in two items, that of \$25,764.39 being the regular business account, against which all checks are drawn, and that of \$912.86 being regarded as part of the investments of the company. The item does not appear in the cash book balance, but does appear in the ledger.

The company pays all its losses and many of its other obligations by draft. If the draft is issued in payment of a loss, a memorandum to that effect is made on the "loss envelope" relating to that claim. No other memorandum is kept, and it would be impossible for the company to furnish a complete list of its outstanding drafts.

When a draft is presented, a check is drawn in payment thereof, but no entry is made in the cash book, unless that payment constitutes a transaction connected with no other cash transaction. For example, in settling a loss claim, the company makes a payment to the insured, a payment to the adjusters, and has a claim for reinsurance against another company. Until all three transactions are completed, no entry is made on the cash book.

The company has no check book, the bank pass book being employed in its stead. All deposits are entered on the debit side of the pass book by an employee of the bank, and all checks drawn are entered on the credit side of the same pass book by the cashier or other employee of the company. The pass book is the only complete record possessed by the company showing its transactions with the bank. As above stated, when a draft is presented a check is drawn in payment and the entry is made in the pass book. If several drafts are presented simultaneously, a single check is drawn in payment, and an entry for the entire amount appears in the pass book. The cash book entries may not be made for a week or a month, or several months. It is therefore exceedingly difficult to trace checks through the cash book and ledger, as neither amounts nor dates can be identified.

It is the custom of the company to draw on its delinquent agents, and through an arrangement with the bank these drafts are entered as deposits and placed to the credit of the company's account. The company's cashier enters the amount of the draft in the cash book, as if paid by the agent. If, however, the draft is returned unpaid, the company presents its check in payment thereof to the bank. This unhonored draft is placed in the cash drawer and carried by the company as cash in office until disposed of in some manner. No record of these later transactions appear on the company's books of account. The company resorts to this method at the end of the year in clearing its books of uncollected premiums due for business written prior to October 1st of that year.

The company's system of keeping its unearned premium fund is impracticable and most unsatisfactory, and renders a complete

examination thereof a work necessitating the expenditure of an unusual period of time. No policy register has been kept since about April 1, 1909, except on local business, a conclusive examination of the risks written and canceled and reinsurance written and canceled being possible only by an inspection of the daily reports. We have checked a portion of the business to the agents' monthly accounts and have made certain other tests, whereby, in a measure, we are satisfied that the unearned premium liability of the company, as set forth in the foregoing part of this report, is approximately correct, and that a detailed examination of the daily reports would not materially affect the charge so made. We beg to suggest, however, that the officers be instructed to institute a proper method of keeping the company's reserve, so that an examination of such particular liability may be made, in order that the liability set forth above may be verified.

We find from an examination of the minutes of the directors' meeting, held October 20, 1909, that notice was given of an intention to introduce a resolution amending the company's charter, but no action can be taken by the board of directors until after the expiration of thirty days from date of notice.

Attached to this report is a schedule of the stocks and bonds owned by this company on September 30, 1909, setting forth the book, par and market value of same.

The following is a list of the officers of the company with the yearly compensation of each.

Name	Position	Compensation per annum
E. D. Jenison.....	President	\$3,600 00
Frank Van Benthuyssen.....	Vice-President	No salary
A. J. Hinman.....	Secretary	2,400 00
Adam Van Allen.....	Asst. Secretary	1,080 00

Respectfully submitted,

CHARLES H. GARDNER,

SAMUEL DEUTSCHBERGER,

Assistant Examiners.

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

Charles H. Gardner and Samuel Deutschberger, being duly sworn, depose and say that the foregoing report, subscribed by them, is true to the best of their knowledge and belief.

Subscribed and sworn to before me

this 14th day of January, 1910.

[L. s.] H. GRATAN COLVIN,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *January 17, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—Acting under your appointment No. 2208 we have made an examination of the condition and affairs of the Postal Employees' Mutual Aid Association.

This association was incorporated in 1895 on the co-operative assessment plan under Article VI of the Insurance Law of New York. The examination was made as of December 31, 1909.

The following is a statement of the income and disbursements for the year 1909 and the assets and liabilities on December 31, 1909:

INCOME

Assessments	\$19,799 07	
Membership fees	1,164 50	
Total paid by members	\$20,963 57	
Entertainments and benefits	4,233 47	
Interest	177 60	
Total Income	\$25,374 64	
Ledger assets December 31, 1908	2,633 56	
Total		\$28,008 20

DISBURSEMENTS

Losses	\$18,000 00	
Commissions on new members	2 50	
Commissions for collecting assessments	364 73	
Salaries of officers	87 50	
Salaries of office employees	112 50	
Printing, stationery and postage	220 82	
Premiums on fidelity bonds	7 50	
Legal fees	70 62	
<hr/>		
(Total expense of management \$866.17)		
Total disbursements		\$18,866 17
<hr/>		
Balance		\$9,142 03
<hr/>		

LEDGER ASSETS

Cash in bank (general fund)	\$431 09	
Cash in bank (mortuary fund)	8,710 92	
<hr/>		
Total ledger assets		\$9,142 01

NON-LEDGER ASSETS

Assessment in course of collection not over thirty days due	1,807 20	
<hr/>		
Total assets		\$10,949 21
<hr/>		

LIABILITIES

Unpaid claims:		
Proofs not received	\$4,000 00	
Reserve or emergency fund under section 205 of N. Y. Ins. Law	2,000 00	
<hr/>		
Total liabilities		\$6,000 00
Balance		4,949 21
<hr/>		

Assets

The ledger assets of the association consist of deposits in bank at three per cent. interest, and are divided into two funds: general and mortuary.

The income from dues is credited to the general fund and used for the expenses of the association.

The income from assessments and benefits is credited to the mortuary fund and used for the payment of death losses.

The periodical monthly assessment called on December 1st and due on December 16th, is expected to realize the sum of \$1,807.20

and credit for same is given as in process of collection. The actual sum collected on account of same to date of this report amounts to \$1,283.30.

Liabilities

Four death claims, notice of which has reached the association, are unpaid, proofs not having been received at date of this examination.

Death claims are entered on the loss register after approval for payment by the board of directors. Your examiners would recommend that all notices of death should be recorded on the loss register immediately on receipt of information.

Since March, 1909, when the new assessment rates hereafter referred to, went into effect, the reserve or emergency fund maintained by the association in accordance with section two hundred and five of the Insurance Law, amounts to \$2,000, which sum is approximately \$200 more than the proceeds of one assessment.

Membership

Applicants for insurance must be persons in the employ of the United States Postal Service, physically acceptable, over twenty-one and under fifty years of age; separation from the service, however, does not deprive a member of the rights acquired.

Only one form of policy is issued for an amount of \$1,000, payable to the beneficiary named therein on receipt of satisfactory proofs.

The association numbers 1,226 members; the net gain of insurance in force during the year 1909 amounts to \$106,000.

Assessments

Assessments are levied periodically on the first of each month and are due on the 16th.

The following rates were in force from 1895 to 1899:

Age at entry 18 to 30.....	\$.30	Age at entry 40 to 50.....	\$.60
30 to 40.....	.45	50 to 55.....	.75

In 1899 the rates were increased, according to the following table:

Age at entry under 25.....	\$.75	Age at entry 50 to 54.....	\$2.30
25 to 29.....	.90	55 to 59.....	2.80
30 to 34.....	1.10	60 to 64.....	2.90
35 to 39.....	1.40	65 to 69.....	3.20
40 to 44.....	1.70	Over 70.....	3.50
45 to 49.....	2.00		

The above rates continued in force until March, 1909. Owing to the large number of death losses sustained in the years 1907 and 1908, the disbursements in these years exceeded the income as follows:

	Income	Disbursements	Excess
1907	\$15,706 84	\$19,746 12	\$4,039 28
1908	23,664 83	29,050 28	5,385 45

On November 10, 1908, a committee was appointed to consider the advisability of revising the assessment rates in order to meet the future demands on the mortuary fund.

On January 12, 1909, the committee reported to the board of directors advising an increase of thirty-three and one-third per cent. (33 $\frac{1}{3}$ %), in conformity with the rates of the National Fraternal Congress.

The matter was taken up at a special meeting of the board of directors held February 16, 1909, and an amendment to the by-laws was adopted, increasing the rates according to the following table:

Ages at entry 21 to 24.....	\$1.00	Ages at entry 40 to 44.....	\$2.30
25 to 29.....	1.20	45 to 49.....	2.70
30 to 34.....	1.50	50.....	3.10
35 to 39.....	1.90		

Rates for members who were over 50, at time of incorporation:

Age at entry 51 to 54.....	\$3.10	Age at entry 60 to 64.....	\$3.90
55 to 59.....	3.50	over 65.....	4.30

The following table has been arranged to show the number of members and death claims paid during the past ten years:

Year	Members	Death claims paid	Year	Members	Death claims paid
1900	872	12	1905	1,156	16
1901	892	19	1906	1,180	14
1902	1,008	17	1907	1,232	19
1903	1,019	13	1908	1,091	23
1904	1,014	9	1909	1,226	18

Management

The affairs of the association are conducted economically, the expense of management not exceeding five per cent. of the income from assessments and membership fees.

Prior to April 1, 1909, the salaries paid to the officers of the association were as follows: Francis R. Roome, secretary, \$250 per annum; Thomas A. Jardines, treasurer, \$100 per annum.

In accordance with the recommendation of Mr. Edward M. Morgan, the honorary president of the association, the officers elected for the term beginning April 1, 1909, agreed to serve without compensation.

The only salaried employee is the clerk to the secretary, who receives a fee of \$150 per annum.

Respectfully submitted,

LEON S. SENIOR

JOHN J. CUNNINGHAM

Assistant Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

LEON S. SENIOR and JOHN J. CUNNINGHAM, being duly sworn, depose and say and each for himself says that the foregoing report, subscribed by them, is true to the best of their knowledge and belief.

LEON S. SENIOR

JOHN J. CUNNINGHAM

Subscribed and sworn to before me,
this 19th day of January, 1910.

[SEAL] KATE F. CAHILL

Notary Public, N. Y. Co.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *January 31, 1910*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

Sir.— In accordance with your instructions as contained in appointment No. 2247, hereto annexed, we have made an examina-

tion of the American Temperance Life Insurance Association, a co-operative assessment association operating under the provisions of Article VI of the Insurance Law. As a result we found the condition of the said association on September 30, 1909, to have been as follows:

LEDGER ASSETS

Cash in banks.....	\$47,480 21
Cash in home office.....	10,519 75
Cash in Newark office.....	25 88
Book value of real estate.....	\$85,360 73
Less mortgage at 4%.....	40,000 00
	<hr/> 45,360 73
Mortgage loans	128,066 00
Policy loans	6,185 93
	<hr/>
Total ledger assets.....	\$237,638 50

NON-LEDGER ASSETS

Market value of real estate over book value.....	4,639 27
Face value of mortgage loan over book value.....	684 00
Interest accrued on mortgage loans.....	1,909 78
Interest due on savings bank balances.....	40 00
Assessments called, but not yet thirty days overdue.....	16,540 00
	<hr/>
Total assets	\$261,461 55

DEDUCT ASSETS NOT ADMITTED

Policy loans	6,185 93
	<hr/>
Total admitted assets.....	\$255,266 62
	<hr/> <hr/>

LIABILITIES

Reserve under section 205 of Insurance Law.....	\$84,034 47
Advance assessments	140 28
Losses and claims:	
Resisted	\$13,400 00
In process of adjustment but not yet due.....	35,200 00
Proofs not received.....	18,100 00
	<hr/> 66,700 00
Accrued interest on mortgage.....	266 67
Due National Security Company, account contract.....	4,224 27
	<hr/>
Total liabilities	\$155,366 69
	<hr/>
Balance (surplus September 30, 1909).....	\$99,899 93
	<hr/> <hr/>

The income and disbursements for the year ending September 30, 1909, were as follows:

Ledger assets October 1, 1908, as per association's records.... \$231,573 05

INCOME

First year's premiums.....	\$16,831 82	
Dues	30,289 39	
Premiums, other than first year..	197,592 15	
Total paid by members.....	\$244,713 36	
Interest	7,425 46	
Sundries	49 20	
Rents, etc., from real estate.....	10,224 93	
Total income		262,412 95
Total		\$493,986 00

DISBURSEMENTS

Losses and claims.....	\$162,160 06	
Cash paid for surrender policies.	5,016 27	
Total paid to members.....	\$167,196 33	
National Security Company (dues and collections).....	\$70,524 12	
Medical examinations	694 05	
Advertising and printing.....	3,928 51	
Legal expenses	1,043 50	
Postage	2,325 91	
Insurance fees	711 31	
Traveling expenses	1,027 99	
Directors' fees	50 00	
Sundries	96 55	
Total expenses of management.....	80,401 94	
Expenses on account of real estate.....	8,749 23	
Total disbursements.		256,347 50
Balance (ledger assets September 30, 1909).....		\$237,638 50

ASSETS

Cash in Banks and Office

The cash in banks was verified by certificates from the banks, outstanding checks and bank pass books.

The item "Cash in Home Office" did not consist entirely of cash, as the major portion was represented by cash advanced on memorandum to various officers of the association. We experi-

enced some difficulty in obtaining a satisfactory explanation of the nature of this account, but it was finally admitted by the President, Frank Delano, that a large portion of these advances were made to himself for payments on a house he was building, upon completion of which he would execute a mortgage and refund the advances made by the association. These memoranda were not shown us on the first day of our examination when cash was produced, but from the cashier's daily book we ascertained they amounted to \$7,280.13 while on the following day to only \$140.54. (This difference was deposited in bank presumably by personal checks, on the same day, the explanation of the officials being that they presumed we would prefer that the money should be in the bank. We called the attention of the officers to the loaning of money without security and without interest, and they assured us this practice would be discontinued.

On the last day of our examination we again verified the cash and bank balances and found the funds intact.

Real Estate

The real estate consists of an Auditorium located in Newark, N. J., which property was acquired January 11, 1904, from the Supreme Lodge of the Knights and Ladies of the Golden Star, at the time a reinsurance contract was made with the above Society. As the Association has now held this property over five (5) years, we would respectfully call your attention to section 20 of the Insurance Law, with reference to its application in this instance.

The following is a detailed account of the income and disbursements from October 1, 1908, to September 30, 1909, relative to the above real estate:

INCOME	
Auditorium	\$7,047 65
Stores	2,509 28
Lodge rooms	668 00
<hr/>	
Total income	\$10,224 93

DISBURSEMENTS	
Salaries of employees, caretakers, etc.	\$2,468 17
Light, water and telephone.	1,187 78
Insurance	1,137 01

Interest on mortgage	\$1,600 00
Taxes	1,054 61
Sundries	1,301 66
Total disbursements	<u>\$8,749 23</u>
Excess of income over disbursements.....	\$1,475 70
Balance October 1, 1908.....	<u>2,842 71</u>
Balance September 30, 1909.....	<u><u>\$4,318 41</u></u>

Mortgage Loans

Real estate mortgages are eleven in number, amounting to \$128,066. Included in this number are three to which we especially call your attention. Mortgage No. 6, Mrs. Sarah B. Delano, owner, amount \$14,000—interest at 5 per cent.—payable August and February.

This bond and mortgage is dated August 14, 1906. Frank Delano, president of the association and husband of the owner of said property, joined in executing the bond.

Mortgage No. 9, Stacey Wilson, owner, amount \$4,500—interest at 5 per cent., payable February and August.

This bond and mortgage is dated October 30, 1907, for \$3,000, and was increased to \$4,500 on August 4, 1908. Stacey Wilson is a director, and manager and adjuster of the association.

Mortgage No. 10, Mrs. Mary E. Godward, owner, amount \$15,000—interest at 5 per cent., payable June and December.

This bond and mortgage is dated December 24, 1906, for \$12,000, and was increased to \$15,000 on December 23, 1907. Geo. W. Godward, a director of the association and husband of the owner of said property, joined in executing the bond.

The above mortgages have been executed contrary to the provisions of section 36 of the Insurance Law.

Included in the mortgage loans is a mortgage for \$4,750, which was purchased by the association for \$4,066. We have entered in the financial statement this difference, \$684, as a non-ledger asset.

LIABILITIES

Reserve

In computing the reserve fund as required by section 205 of the Insurance Law, we have followed the plan adopted and in-

terpretation of this section at the time of last examination, viz.: One "periodical call" on all the members as meaning one gross premium or assessment on each policy in force, i. e., if the assessment or premium is payable monthly, we have charged one monthly premium; if annually, one annual premium; if bi-monthly, one bi-monthly premium, etc.

While this association operates under the assessment plan (Article VI) its general method in conducting its business is similar to that of the legal reserve companies, in that the rates charged on considerably more than one-half of their policies (including all of the new business) are practically the same as the level premium rates charged by such companies and the assessments are collected in a like manner, being payable annually, semi-annually, quarterly or at lesser periods, at the option of the insured.

The association, however, states that "these rates provide for the Mortuary, Reserve and Expense Funds, and are subject to increase or decrease, by reason of increasing or decreasing mortality."

For the purpose of ascertaining whether the reserve fund maintained by the association on these policies is sufficient to fulfill their contracts, without levying extra assessments in the future, the Department has made a valuation, computed on the Actuary's combined table of mortality at 4 per cent. on all such policies in force on September 30, 1909. The following schedule shows the classification, number and valuation of the policies valued:

Classification	Number of Policies	Valuation
Completed or limited payment policies.....	701	\$294,010 16
Completed or limited payment policies (paid up or extended).....	118	34,886 80
Royal Refuge	1,503	21,946 54
Knights and Ladies of Golden Star.....	1,270	81,017 25
Industrial plan	118	2,181 72
Total	3,708	\$434,024 47

The reserve so computed on these policies amounts to \$434,024.47, which is \$384,798.19 in excess of the reserve liability on the same policies as required by law for assessment companies. If the legal reserve thus computed was required to be used in the

balance sheet, it would increase the total amount of liabilities to \$540,163.88.

In this computation no account is taken of 3,350 certificates in force the assessment rates on which are not equal to the net level-premium rates.

NATIONAL SECURITY COMPANY

We attach hereto, as Exhibit "A," a copy of the amended contract, dated November 24, 1907, between the American Temperance Life Insurance Association and the National Security Company. Filed with the report (dated April 30, 1907) of the previous examination, is a copy of the original contract and a statement of the amount of \$121,143.21 due by the association to the National Security Company to January 1, 1907. A waiver of this claim, dated April 12, 1907, is filed with the previous report.

As the officers of the National Security Company did not desire to waive the balance due that company from January 1, 1907, to September 30, 1909, we have carried the amount due on the original and modified contract, in the financial statement as a liability of the association. We find these amounts to be made up as follows:

Due on account of original contract to November 24, 1907, viz.:	
Dues	\$25,918 43
Fifteen per cent. on \$195,836.77 (premiums collected)	29,375 52
	<hr/>
	\$55,293 95
Paid National Security Company (on account) ..	62,677 50
	<hr/>
Excess payment to November 24, 1907	\$7,383 55
Due on account of amended contract from November 24, 1907, to September 30, 1909, viz.:	
Dues	\$55,806 39
Twenty per cent. on \$395,801.02 (premiums collected)	79,160 20
	<hr/>
	\$134,966 59
Paid National Security Company (on account) ..	123,358 77
	<hr/>
Balance due on amended contract to September 30, 1909	11,607 82
	<hr/>
Net balance due National Security Company September 30, 1909	\$4,224 27
	<hr/>

On account of the terms of the above contract, we found it necessary to examine the books of the National Security Company. As all the business of the latter company was done by reason of said contract, its income consisted entirely of moneys received from the American Temperance Life Insurance Association. The following is a statement of the income and disbursements from October 1, 1908, to September 30, 1909:

INCOME

Received from the American Temperance Life Insurance Association.	\$70,524 12
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DISBURSEMENTS

	For American Temperance Life Ins. Assoc.	For National Security Co
Agents' and managers' salaries and advances..	\$5,843 15	
Advances for new business, "Order of King Solomon," charged off.....	4,173 16	
Agents' commissions	13,168 52	
Agents' commissions (on account Mutual Reserve Life Insurance Company), Russell & Rushmore, receivers	\$981 75	
Agents' commissions (on account Mutual Reserve Life Insurance Company), A. A. Hopkins.....	425 11	
	<hr/> 1,406 86	
Salaries of officers.....	17,500 00	\$20,080 00
Salaries of office employees.....	6,844 84	
Office supplies and expenses.....	435 07	
Telephone and telegraph.....	241 57	
Rent	3,270 00	
Bank collections	170 85	
Discount on notes.....	60 17	
Directors' fees		50 00
Sundries	181 27	
Taxes		183 64
Advances to Thomas Wilson on account of an- ticipated new business.....	2,000 00	
	<hr/> \$55,295 46	
		<hr/> \$20,318 64
		55,295 46
Total disbursements		<hr/> \$75,609 10

Excess of disbursements over receipts.....	\$5,084 98
Balance on hand October 1, 1908.....	8,760 88
	<hr/>
Balance on hand October 1, 1909.....	\$3,875 90
	<hr/>
Cash in bank.....	\$457 02
Cash advanced on memoranda "Since charged off"	3,218 88
	<hr/>
	\$3,875 90
	<hr/>

OFFICERS AND SALARIES

The following is a list of the officers of both companies and amount of compensation received by each:

Name	American Temp. Life Ins. Association Office and Salary	National Security Company Office and Salary
Frank Delano	President	\$7,500 President.....
W. H. H. Youngs....	First Vice-President.	
A. A. Hopkins.....	Second Vice-President.	
George E. Godward..	Secretary and Treasurer	7,500 Secretary.....
Stacey Wilson	Manager and Adjuster.	2,500 Superintendent
D. A. Dobie, M. D....	Medical Director	420 Director.
George W. Godward..	Director	Treasurer
		9,000
Totals	\$17,920	\$21,080

From the foregoing statement it will be seen that the annual salaries of officers of both companies amount to \$39,000, all of which is paid from the moneys collected from members of the American Temperance Life Insurance Association.

GENERAL REMARKS

Completed Payment Life Policies

The issuance of completed payment policies, referred to in the report of the previous examination, as being in violation of section 214 of article VI of the Insurance Law, and concerning which considerable correspondence was had with the Department, has been discontinued. There were, however, four issued since the last examination, the last one being dated October 15, 1907.

There are now 784 of these policies in force with insurance amounting to \$1,828,502. Included in these are 116 policies, with insurance amounting to \$159,602, which are either paid-up or carrying extended insurance.

The following is a list of twenty-year completed payment policies which were surrendered for cash at expiration of ten years, and covering the period of our examination, viz.:

Policy No.	Date Issued 1898	Face of Policy	Amt. Due, Per Company Schedule	Actual Amt. Pd. on Surrender	Date Paid, 1908
10,457	October 15	\$1,000 00	\$195 18	\$193 00†	October 29
13,010	November 21	3,000 00	422 31	422 31†	November 12
13,504	December 31	3,000 00	541 38	541 38†	December 3
1909					
13,025	December 30	3,000 00	541 38	328 59*	January 20
1899					
13,065	March 6	3,000 00	513 66	261 97‡	February 20
13,036	January 30	3,000 00	696 36	313 05*	March 11
13,110	April 6	3,000 00	422 31	314 10*	April 16
13,109	April 6	3,000 00	558 21	326 15*	April 16
13,162	May 29	3,000 00	529 77	335 82*	May 26
13,142	May 8	3,000 00	551 49	500 00‡	June 18
13,202	July 20	3,000 00	430 92	430 92†	July 16
13,204	July 20	3,000 00	551 49	344 00*	July 21
13,236	August 2	3,000 00	551 49	339 00*	August 23

In the above list the items marked † were paid in full, according to the schedule attached to each policy.

Beginning with January 1, 1909, the association discontinued paying these policies in accordance with the table of surrender values. The return on policies marked * consists of the difference between the actual amount paid in and the amount insured would have paid on an ordinary life policy, with compound interest at 4 per cent.

Policy marked ‡ was settled for \$51.49 less than the scheduled amount, after the insured had entered suit in the Supreme Court. Policy marked § was settled on June 18, 1909, by paying fifty-one (51) per cent. of the scheduled amount. This method was used prior to the association deciding on their later method or plan. Although the association claims to have adopted this later method about January 1, 1909, we found that on July 16, 1909, they settled policy No. 13,202 by paying the scheduled amount in full. We were unable to obtain a satisfactory explanation from the officers in regard to these discriminations.

The association issued and has in force forty (40) policies, with insurance amounting to \$55,500 of the *amended* "completed

payment" form. Before issuing these, considerable correspondence was had with the Department relative thereto. Attention is called to the form of this policy, filed herewith.

DIRECTORS' POLICIES

The following is an extract from minutes of the meeting of the board of directors, November 20, 1894:

"It was resolved and carried that in part consideration for past services rendered and to be rendered hereafter by members of the Board of Directors of the association as such, the premiums accruing on the policies carried by them respectively in this association be remitted and a receipt therefor be given to each such member at the beginning of each association year."

The following is a list of directors' policies now in force:

Name of Director	Date of Issue	Amt. of Ins.
Frank Delano	December, 1889	\$5,000 00
George E. Godward.....	November, 1901	5,000 00
George W. Godward.....	November, 1901	5,000 00
Stacey Wilson	November, 1901	5,000 00
A. A. Hopkins.....	July, 1897	2,000 00
James H. Pettit.....	November, 1899	4,000 00
A. Judson Stone.....	November, 1907	2,000 00
W. H. W. Youngs.....	December, 1889	5,000 00
Edgar S. Marvin.....	August, 1893	4,000 00
Edgar S. Marvin.....	December, 1893	1,000 00

LOSSES AND CLAIMS

Attached hereto is Schedule "B," showing in detail all the death claims not paid in full, from October 1, 1908, to September 30, 1909. These compromised claims represent about 17 per cent. of the total death claims for the year. The schedule shows that practically all of these resisted claims were by reason of misstatements made in health certificates.

MUTUAL RESERVE LIFE INSURANCE COMPANY

On May 27, 1908, an agreement was made between the American Temperance Life Insurance Association and William Hepburn Russell and Charles E. Rushmore, receivers of the Mutual Reserve Life Insurance Company, by the terms of which the former association agreed to reinsure the assessment members of

the latter company. We attach hereto, as Schedule "C," a copy of this agreement. In accordance with the above-mentioned agreement, A. A. Hopkins was elected a director and second vice-president of the American Temperance Life Insurance Association, and received, per agreement, a commission of one dollar per thousand face value of all policies issued, and fifty cents per thousand face value of policies yearly on all renewals on mutual reserve members reinsured. There has been paid on this contract, to date of this examination (as shown by disbursements of National Security Company), viz.: Russell & Rushmore, receivers, \$981.75, and A. A. Hopkins, \$425.11.

MEMBERSHIP AND INSURANCE IN FORCE

This association had 7,058 members and \$7,521,322 of insurance in force on its books September 30, 1909. We have classified this membership and insurance as follows:

	No. of Members	Amt. of Ins.
Knights and Ladies of the Golden Star (reinsurance) .	1,309	\$1,039,375
Royal Templars (reinsurance).....	417	418,125
Good Templars (reinsurance).....	339	582,430
Royal Refuge (reinsurance).....	1,570	265,517
Mutual Reserve (reinsurance).....	335	545,250
American Temperance (industrial)	120	30,073
American Temperance (completed payment, old form)	668	1,669,000
American Temperance (completed payment, old form, paid up and extended).....	116	159,602
American Temperance (completed payment, new form)	40	55,500
American Temperance (all others)	2,144	2,757,150
	<hr/> 7,058	<hr/> \$7,521,922

There was no provision in the contract by which these associations were reinsured which provided that the rates should not be increased or that the assets be segregated.

The association is admitted and doing business in the following States: New York, New Jersey, Pennsylvania, Delaware, West Virginia, Michigan, Iowa, Utah, Washington, Illinois, and District of Columbia.

Filed with this report are copies of the policies now issued by the association, together with their respective rate cards.

We would respectfully call your attention to the clause contained in each of these policies; to wit: "This association furnishes insurance on the *Safety Premium Plan*, in accordance with the Laws of New York, etc." As this is strictly an assessment company, we believe this statement to be misleading.

Respectfully submitted,

CLARENCE J. NORTON

HERBERT C. CLARK

Assistant Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Clarence J. Norton, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CLARENCE J. NORTON

Subscribed and sworn to before me
this 11th day of February, 1910.

LUCIUS G. LAEY,

[L. S.] *Notary Public Onondaga County*

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Herbert C. Clark, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

HERBERT C. CLARK

Subscribed and sworn to before me
this 8th day of February, 1910.

KATE F. CAHILL

[L. S.] *Notary Public New York County*

EXHIBIT A.

This agreement, made and entered into this 24th day of November, 1907, by and between American Temperance Life Insurance Association, incorporated under the Laws of the State of New York, and the National Security Company, incorporated under the Laws of the State of New York, witnesseth, that

Whereas, The parties to these presents entered into an agreement, dated the 19th day of August, 1891, respecting certain services to be rendered and expenses to be incurred by the National Security Company in behalf of the American Temperance Life Insurance Association and providing for compensation and reimbursement therefor, which agreement provides, among other things, that the National Security Company shall be entitled to collect and retain admission fees and other payments made to or payable to the said American Temperance Life Insurance Association and shall also receive a commission upon all moneys collected for assessments or premiums, or payments by members of said American Temperance Life Insurance Association not exceeding 15 per cent., as by reference to said agreement will more fully and at large appear; and

Whereas, Since the execution of the said agreement the said American Temperance Life Insurance Association has changed its plan of doing business, so that no admission fees are now imposed upon members, but in lieu thereof the amount heretofore charged therefor is calculated in and forms part of the assessments or premiums payable by the members, so that the American Temperance Life Insurance Association in fact receives the equivalent of the said admission fees, under another name, through the hands of the said National Security Company; and

Whereas, The said National Security Company claims to be entitled to the reinstatement fees received from lapsed members when reinstated, upon the ground that the reinstatement fees constitute "admission fees" or "receipts," or both, under the terms of the said agreement, and the said American Temperance Life Insurance Association desires to collect and retain the said reinstatement fees; and to avoid any dispute;

Now, therefore, It is hereby agreed that the said American Temperance Life Insurance Association shall be entitled to receive and retain so much of the assessments or premiums from members as are now or hereafter shall be the equivalent of or substitute for admission fees heretofore payable by members, and the said American Temperance Life Insurance Association shall also be entitled to receive and retain all reinstatement fees paid by lapsed members on reinstatement, and in consideration of such

modification the National Security Company shall receive a commission of 20 per cent. upon all moneys collected for assessments or premiums payable by members of said American Temperance Life Insurance Association instead of a commission of not exceeding 15 per cent., as in said agreement provided.

It is further agreed that the said agreement, dated the 19th day of August, 1891, as hereinbefore modified and defined, is hereby ratified and confirmed.

AMERICAN TEMPERANCE LIFE INSURANCE ASSOCIATION

[SEAL.]

By FRANK DELANO

President

NATIONAL SECURITY COMPANY

[SEAL.]

GEORGE W. GODWARD

Treasurer

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 2, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with instructions I have made a supplementary examination of the American Temperance Life Insurance Association, in relation to the following matters referred to in your letter of March 3, 1910, to the association, and beg to submit the following report:

CONTRACT WITH THE NATIONAL SECURITY COMPANY

This contract has been "abrogated and canceled" by a resolution adopted at separate meetings of the directors of both the American Temperance Life Association and the National Security Company, held on March 16, 1910. Said resolutions were verified from the original records containing minutes of directors' meetings of the above-named companies. A copy of the resolution adopted by each board and a copy of the abrogation contract are filed herewith.

SALARIES OF OFFICERS

The amount payable by the association for salaries to officers is the same as heretofore, to wit, president, \$7,500 per annum; secretary and treasurer, \$7,500 per annum; but a reduction in the annual compensation received by each officer is made consequent by the cancellation of said contract with the National Security Company.

MORTGAGE LOANS

The three (3) mortgage loans especially referred to in the report of recent examination were paid off on the following dates:

Name of Mortgagor	Amt. of Loan	Date when Paid
Mrs. Sarah B. Delano.....	\$14,000	March 24, 1910
Mrs. Mary E. Godward.....	15,000	March 25, 1910
Stacey Wilson	4,500	April 22, 1910

These payments were verified by examination of mortgage record book and cash book, also by check book and bank pass book, as to deposits of the moneys in bank.

DIRECTORS' POLICIES

The resolution of November 20, 1894, in relation to the above, was rescinded by a resolution adopted at a meeting of directors of the association on March 16, 1910. This was verified by the original record book of minutes of directors' meeting held on above date. A copy of said resolution, together with copy of a paper signed by each individual director "concurring in the terms of said resolution and releasing the said association from all obligations on its part," are filed herewith.

REAL ESTATE

The Department has limited the time in which this property shall be disposed of, to not longer than six months. I was advised that the association is still actively endeavoring to effect a sale, and is hopeful of such result at an early date.

Respectfully submitted,

CLARENCE J. NORTON

Assistant Examiner

STATE OF NEW YORK,
CITY & COUNTY OF NEW YORK, } ss.:

Clarence J. Norton, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CLARENCE J. NORTON

Subscribed and sworn to before me
this 9th day of May, 1910.

KATE F. CAHILL

Notary Public New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *January 31, 1910*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.—Acting under instructions contained in your appointment No. 2246, dated September 21, 1909, annexed hereto, we have made an examination into the condition and affairs of the Independent Order Brith Abraham of the United States of America, a fraternal beneficiary order, organized and transacting business under the provisions of Article VII of the insurance law, and having its home office at No. 37 East Seventh street, New York City, N. Y., and make the following report thereon:

The receipts of the order are divided into five funds, viz.: Endowment, Reserve, General, Charity and Cemetery. All of the 555 lodges contribute to the first three of these funds, while only 231 lodges contribute to the Charity Fund and 181 lodges to the Cemetery Fund.

We find the income and disbursements for the year ending December 31, 1909, and the assets and liabilities as of that date, of the Endowment, Reserve and General Funds, to have been as follows:

REPORTS ON OFFICIAL EXAMINATIONS

617

Balance, ledger assets, December 31, 1908..... \$349,414 30

INCOME

Assessments \$473,439 19

Card and certificate fees..... 3,608 07

Total income from members..... \$477,047 26

Interest on mortgages..... 10,628 25

Interest on bank deposits..... 3,022 45

Interest on N. Y. city bonds..... 920 00

Sale of Supplies..... 68 85

Withdrawal deposit 320 75

Collection fees 3 00

Telephone 46 65

Traveling expenses returned..... 15 00

Roumania relief \$872 50

Special collection (for Emanuel Pisko)..... 500 00

Borrowed money 11,225 00

Total income 504,669 71

Total \$854,084 01

DISBURSEMENTS

Death benefits \$403,595 53

Salary of Grand Master M. Stein..... 80 00

Donation to Ex-Grand Master by convention.. 1,500 00

Donation to Grand Master by Ex-Com..... 50 00

Salary of Grand Secretary, Jacob Schoen.... 3,835 97

Secretary Reserve Board, statistical work, etc.. 300 00

Donation to Ex-Grand Master Pisko..... 600 00

Roumania relief, special fund, donation..... 872 50

Salaries of office employees..... 3,331 25

Rent (home office)..... 1,340 00

Postage, telegraph, telephones, etc..... 1,494 48

Stationery, printing, advertising..... 2,533 53

Traveling expenses 2,563 87

Legal expenses 1,634 47

Organization expense 1,436 30

Office expenses 1,415 16

Interest and collection fees..... 268 36

Expenses, finance committee..... 14 70

Annual convention expense..... 3,606 90

Medical examination fees..... 64 63

Insurance department fees..... 321 95

Expense of examinations..... 445 00

Withdrawal deposits 256 50

Donations to employees, etc..... 282 00

Charitable donations from general fund..... 8,842 28

Borrowed money repaid	\$7,800 00	
Loss charged to account of H. Kalchheim, Ex-Grand Treasurer	5,823 70	
Miscellaneous expenses	570 09	
		<u>\$454,909 17</u>
Balance December 31, 1909.....		<u><u>\$399,174 84</u></u>

LEDGER ASSETS

Cash in bank on interest.....	\$135,207 18	
Cash in office.....	5,155 11	
N. Y. City bonds, 4% 1959, (book value)	61,200 00	
Mortgage loans	197,500 00	
		<u></u>
Total ledger assets.....		\$399,062 29
Deficiency	\$112 55	
	<u></u>	

NON-LEDGER ASSETS

Accrued interest on mortgages.....	\$2,805 88	
Accrued interest on bonds.....	400 00	
Accrued interest on savings bank and trust company's deposit.....	1,137 15	
	<u></u>	\$4,343 03
Assessments collected by subordinate lodges, not turned over to Grand Lodge	\$34,967 23	
Assessments levied and in process of collection	45,314 50	
	<u></u>	80,281 73
		<u></u>
Gross assets		\$64,624 76
		<u></u>
Gross assets		\$483,687 05

Deduct Assets Not Admitted

Decrease in market value over book value on N. Y. C. bonds..	1,200 00	
	<u></u>	
Total admitted assets		\$482,487 05

LIABILITIES

Claims approved, not yet due..	\$104,000 00	
Less advances paid.....	2,799 25	
	<u></u>	\$101,200 75
Claims unapproved	1,000 00	
Claims resisted	2,000 00	
Borrowed money	8,500 00	
	<u></u>	112,700 75
		<u></u>
Surplus December 31, 1909.....		<u><u>\$369,786 30</u></u>

INCOME

Roumania Relief

A report on examination, dated January 21, 1909, showed that \$1,000 collected for this purpose appeared as a disbursement in December, 1907, but that only \$127.50 of this amount had been actually disbursed. Therefore, the association in 1909 entered the balance, \$872.50 as a receipt. This amount was all disbursed during 1909.

Special Collection for Emanuel Pisko

On July 5, 1909, the Executive Committee passed a resolution to advance \$500 from the General Fund in behalf of Emanuel Pisko, and to send circulars to the various lodges for voluntary contributions, to make good such advance. Five hundred dollars was thereupon advanced to Mr. Pisko, and as a result of the subsequent appeal to the lodges for voluntary contributions the sum of \$713.56 was collected. Of this amount \$500 was returned to the General Fund, and it is stated by Grand Secretary Schoen that the balance of \$213.56 was paid by him in cash to Mr. Pisko, but the order has no receipt therefor.

Borrowed Money

This item consists of \$5,500 borrowed from the Cemetery Fund, \$800 borrowed from Max Schwartz, repaid during 1909, and \$5,000 borrowed from Sam Schlensky on a note of the order bearing 6 per cent. interest, but as the interest was paid in advance the order received but \$4,925; \$2,000 of this note was paid during 1909.

DISBURSEMENTS

Loss Charged Account H. Kalchheim, Ex-Grand Treasurer

As appears by the report on examination, dated January 21, 1909, H. Kalchheim, Ex-Grand Treasurer, was short in his accounts in the sum of \$5,823.70, and that, as a security for such shortage, he gave to the order a third lien on real estate owned by him, situated in Brooklyn, N. Y. In May, 1909, foreclosure proceedings were brought by the order. A fourth mortgagee, however, brought a foreclosure suit, praying in his complaint that this order's lien be set aside. Before this issue was decided the first

mortgagee, having a claim for \$10,000, brought foreclosure proceedings, and as a result the real estate was sold in December, 1909, for \$9,800, thus destroying the security of the mortgage held by this order.

At a meeting of the Executive Committee, held on January 5, 1909, it was resolved not to carry the amount of the shortage of H. Kalchheim as an asset, but to transfer that amount from the endowment account as a charge against the former treasurer, Kalchheim.

ASSETS

Cash in Banks

All the cash in banks draws interest; \$48,789.67 is deposited in ten savings banks in New York City and draws interest at the rate of 4 per cent.; the remainder draws interest at from 2 to 4 per cent. The amount of the bank balances was verified by the check-books, bank-books and bank certificates.

Cash in Office

The actual cash in office belonging to all five funds was counted by representatives of the Insurance Department on January 3, 1910, and was found to be \$5,321.42. According to the books of the association, the amount of the cash in office was given as \$5,251.63. The examination, as made by your examiners, shows that the cash in office belonging to the order should have been \$5,364.18. It has been the practice of the Grand Secretary to keep his individual funds with the petty cash in office belonging to the order, and is held responsible only for the amount of cash in office, as shown by the books. The discrepancies arose from book-keeping errors and the intermingling of funds.

New York City Bonds

The order purchased \$60,000 of New York City bonds, 4 per cent., 1959, in June, 1909, paying a premium thereon of \$1,200. At a meeting of the Reserve Board, held November 3, 1909, it was resolved to charge the amount of the premium to profit and loss, but this entry had not been made on the books on December 31, 1909. We are informed that this resolution will probably be rescinded and the bonds carried on the books at the purchase

price. In the financial statement as given we have carried the bonds at the value as it appeared on the books as of December 31, 1909.

Mortgage Loans

Eight mortgage loans have been made on property located in New York City. These loans bear interest at the rate of $4\frac{1}{2}$ and 5 per cent. The property upon which these loans were made was appraised by the Insurance Department in January, 1909, the report on such appraisal being dated January 15, 1909.

LIABILITIES

Death Claims and Advances

Article VIII, section 13, of the Constitution provides that the death benefit shall not be due or payable until sixty days after the approval of the Endowment Committee of notice and proof of death. As it is the practice of the committee to meet on the twentieth of each month, approve the death notices received for the month immediately preceding, levy the assessments payable within thirty days from the first day of the succeeding month, but not paying approved claims until two months from the date the assessment is first payable, it is obvious that it is from seventy to ninety days before the claims are finally paid. It would seem that, as the order has a considerable surplus and ample resources, that the time between the approval of the death notice and the payment of the claim should be considerably shortened. This, especially in view of the fact that many of the beneficiaries are greatly in need of financial assistance and often find it necessary to ask for advances, or assign their claims. In many cases we find that the beneficiary has assigned part of the death benefit for the purpose of defraying the funeral expenses. This same condition existed and was brought to the attention of the Grand Lodge in the report of the examiner dated January 21, 1909, but no change has been made since that time.

Deficiency

As shown by the financial statement, a deficiency existed on December 31, 1909, of \$112.55. This deficiency was due primarily to bookkeeping errors, especially in regard to bank interest

items not appearing on the books as an income. That this deficiency was not discovered by the order previous to this examination was due to the fact that the individual funds of the Grand Secretary were intermingled with the petty cash in office of the order. The amount of the deficiency was made good on January 31, 1910.

Endowment Fund

The Endowment Fund is the mortuary fund from which the death benefits are paid. Section 6 of article IX of the Constitution provides as follows:

"The rate of assessment to be paid by each member of this order for death benefits shall be determined at the regular annual meeting of the Grand Lodge for the succeeding twelve months, provided that in case of any deficiency the Executive Committee may increase the same."

At the annual convention of the Grand Lodge, held in May, 1907, the recommendation that mortuary assessments be fixed at one cent for each member for each death was adopted. No recommendation or action was taken by the conventions of the Grand Lodge in 1908 or 1909. It seems to have been the understanding of the officers that the resolution as adopted in 1907 was still in effect and has been the basis upon which assessments have since been levied. However, the practice of the order has been to assess the members for less than one cent per death, the amount collected being sufficient to pay the death claims. The only authority for reducing the assessments from one cent per member for each death seems to be section 9 of article IX of the Constitution, reading as follows:

"All surplus accumulating from collections of said assessments shall be used for the payment of death benefits as the Grand Lodge or the Executive Committee in their discretion shall direct."

During the year 1909, although there were 806 deaths, only 335 deaths were assessed on the members, the proceeds of such assessment being more than sufficient to pay the 806 death claims. If the members paid one cent a death, the present collections for each death would amount to about \$1,300, while the death benefit is but \$500, which would, therefore, increase the surplus of this fund \$800 for each death. Using the present membership and the death rate for 1909, the total addition to the surplus for the

year 1910, on an assessment basis of one cent per member for each death, would be \$644,800.

For the purpose of carrying out recommendations adopted at the convention of 1909, at a meeting of the Executive Committee held on May 18, 1909, it was resolved that the Endowment Fund should be deposited in the Germania Bank and that signature of the Grand Master, Grand Secretary and Endowment Treasurer should appear on all checks.

We find that the Grand Secretary receives and deposits daily all moneys of this fund in the German Exchange Bank. A transfer check signed by the Grand Master, Grand Treasurer and Grand Secretary is drawn once a week and deposited in the Germania Bank to the credit of the Endowment Fund. The Endowment Treasurer has given a bond for \$10,000. The bank interest from this fund is credited to the General Fund.

A statement of this fund, showing the income and disbursements for the year ending December 31, 1909, is as follows:

ENDOWMENT FUND	
Balance January 1, 1909.....	\$43,966 92
<i>Income</i>	
Assessments, interest, etc.....	430,726 29
Total	<u>\$474,693 21</u>
<i>Disbursements</i>	
Death benefits	\$403,595 53
Interest etc.	506 75
Transferred to account of H. Kalchheim.....	<u>5,823 70</u>
Total disbursements	<u>409,925 98</u>
Balance	<u><u>\$64,767 23</u></u>

Reserve Fund

This fund is created by assessments collected every three months from each member, and the Constitution provides that the rate of such assessment shall be determined by the annual convention of the Grand Lodge from year to year.

A resolution, as adopted by the convention in 1907, provided that the dues for the reserve fund should be twenty cents for each member. We are informed that such rate applied jointly to the

husband and wife, and that the assessment was meant to be ten cents per member. A resolution was adopted at the convention of 1908 fixing the assessment at ten cents per member. Section 12 of article X of the Constitution provides in part as follows:

"The Reserve Fund shall not be used for any purpose whatsoever, other than safe investment, except in case of emergency to pay death benefits."

No part of this fund has ever been used for any purpose other than investment.

Previous to the convention of 1908 the Constitution provided that the Reserve Fund could be invested in mortgage loans yielding interest on good New York City improved real estate, and the amount invested must not exceed 60 per cent. of the actual value of the property mortgaged. The convention of 1908 voted that the moneys of this fund shall be invested only in United States bonds, and in future no new loans as first mortgages shall be granted out of the moneys of this fund.

The convention of 1909 permitted the funds to be invested in State bonds and city bonds in addition to United States bonds.

On the date of this examination the moneys of this fund were invested in New York City bonds and mortgage loans.

The Constitution provides that the Reserve Fund shall be under the management and control of a board of trustees elected annually from the subordinate lodges, each lodge being entitled to one member on said board.

For the purpose of carrying out the recommendations of the convention of 1909 the Executive Committee, at a meeting held on May 18, 1909, adopted a resolution providing that the Reserve Fund should be deposited in the State Bank, and the names of the Grand Master, Grand Secretary, Chairman of the Reserve Fund and Secretary of the Reserve Fund should appear on all checks. The receipts are deposited daily in the German Exchange Bank, and once a week a transfer check for the amount to the credit of this fund is drawn and deposited in the State Bank.

A statement of the condition of this fund on the date of this examination, showing the income for the year, there being no disbursements, is as follows:

RESERVE FUND

Balance, January 1, 1909.....	\$305,094 32
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Income

Assessments	\$13,101 27
Interest	13,778 34

Total income	26,879 61
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Balance, December 31, 1909.....	<u>\$331,973 93</u>
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General Fund

The General Fund of this order is the expense fund. Out of this fund all the expenses of management of the Grand Lodge are paid and all other disbursements voted at the annual conventions which are not chargeable to another fund.

For the purpose of carrying out the recommendations of the convention of 1909 the Executive Committee on May 18, 1909, adopted a resolution providing that the General Fund should be deposited in the Fourteenth Street Bank and all checks should be signed by the Grand Master, Grand Secretary and Grand Treasurer.

The convention of 1909 also adopted the following resolution:

"The Grand Secretary shall be empowered to retain in his keeping and accounting the amount of \$500, in order to be able to meet certain nondeferrable payments, such, for instance, as the redemption of unpaid checks of lodges, etc."

The receipts are deposited daily in the German Exchange Bank, used as a clearing house, and once a week a transfer check is drawn on this bank for the amount to the credit of this fund and deposited in the Fourteenth Street Bank.

The moneys for the use of the General Fund are obtained by means of a per capita tax levied semi-annually on each member. The Grand Lodge, at its annual convention held in 1909, adopted a resolution to make such tax twenty cents annually per member. The interest received on the moneys of the Endowment Fund is credited to this fund. In 1909 charitable donations to the amount of \$8,842.28 were made from the General Fund.

A statement of this fund, showing the income and disbursements for the year ending December 31, 1909, is as follows:

GENERAL FUND

Balance, January 1, 1909.....	\$353 06
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Income

Assessments, interest and miscellaneous items..	\$36,323 78	
Borrowed money	11,225 00	
	<hr/>	47,548 78
Total income		<hr/> \$47,901 84

Disbursements

Expenses of Grand Lodge, including charitable donations	\$37,668 16	
Borrowed money repaid.....	7,800 00	
	<hr/>	45,468 16
Total disbursements		<hr/> 45,468 16
Balance, December 31, 1909.....		<hr/> <hr/> \$2,433 68

Rates

The order accepts as members Hebrew people exclusively, males between the ages of 21 and 45 and females from 17 to 45. As a general rule when a married man becomes a member his wife also joins the order. When the husband dies it is the present rule among the Greater New York lodges that the widow is transferred from the subordinate lodge to which she belonged and becomes a member at large of the Grand Lodge.

The subordinate lodges are distinct organizations in so far as the rates charged are concerned. The subordinate lodge is responsible to the Grand Lodge only for the regular assessments levied on its members collectively, and practically all of the subordinate lodges charge their members a larger rate of assessment, the surplus, after paying the Grand Lodge, being used for sick, burial and other benefits for their members. The accumulated surplus of all the subordinate lodges, which has no connection whatever with the Grand Lodge, was reported as of January 1, 1909, to have been \$617,216.

Although the convention of the Grand Lodge made a rate of one cent per member for each death, this rate never seems to have been levied or collected by the Executive Committee. The average annual rate for the past seven years for the payment of death benefits, as levied by the Executive Committee, is \$3.31 per member. In addition each member is required to pay ten cents per year for the Reserve Fund and twenty cents per year as a per

capita tax for expenses. Therefore, the average annual rate per member for \$500 death benefit for the past seven years has been \$3.61, or at the rate of \$7.22 per \$1,000 of insurance.

Regardless of age, all members pay the same rate of assessment to the Grand Lodge, so that a member entering at the age of 21 secures \$500 of insurance for \$3.61, and the member entering at the age of 45 pays exactly the same rate, although his rate on a scientific basis should be at least double. The *net* rates per \$1,000 for whole life insurance on the 4 per cent. American Experience Table of Mortality basis are: Age 21, \$12.95; age 33, \$17.70, and age 45, \$27.12. The net rates per \$1,000 for whole life insurance on the National Fraternal Congress Table of Mortality and 4 per cent. interest basis are: Age 21, \$10.62; age 33, \$15.46, and age 45, \$24.72. Therefore, when it is realized that all the members of the order pay for whole life insurance at the rate of but \$7.22 a year, it is evident that while the present policyholders are reaping the benefits of the low rates, in order to keep the order alive future members will not only have to pay the actual cost of their own insurance, but must also make good the deficiency which is constantly accruing under the present system of rates.

Sanitarium

The order has under consideration the purchase of a sanitarium located at Liberty, N. Y., for members suffering from tuberculosis. We are informed that this property consists of twenty-seven and one-half acres of land, and, with the sanitarium building, cost originally about \$35,000, and will accommodate 120 patients. The order can secure this property for \$8,750. The proposition has been acted upon favorably by the Executive Committee, and a contract of sale has been drawn up in favor of the Grand Lodge, provided the purchase of the sanitarium is approved by the Insurance Department and the convention of the Grand Lodge to be held in May, 1910. Five hundred dollars of the purchase price was paid on January 7, 1910, which will be returned, however, should the Insurance Department not approve or the convention not decide to buy the sanitarium. We are informed that the property will be purchased by voluntary contributions of the members and that the sanitarium will be maintained by a special tax imposed upon each member.

Organization, History and Previous Examinations

The Independent Order Brith Abraham of the United States of America commenced business as a fraternal beneficiary order on February 7, 1887, and in 1894 reincorporated under the provisions of article VII of the Insurance Law of the State of New York. It does business through the subordinate lodge system, and on December 31, 1909, had 555 lodges, 231 of these being located in Greater New York. The only certificates issued are for death benefits of \$500 each. Assessments for each fund are levied separately upon the treasurers of the subordinate lodges at a given rate per member. The assessments of the subordinate lodges are levied on their members monthly or quarterly, and they have become practically a level assessment, inasmuch as these lodges have accumulated comparatively large surpluses and fluctuations in the assessments of the Grand Lodge are regulated out of these surplus funds. The total amount of such surplus on December 31, 1909, was \$617,216.

A report on examination made by the Insurance Department of the State of New York under date of January 21, 1909, showed that a deficiency existed amounting to \$39,826.67. The order was criticized by the Examiner for the method of handling the receipts and disbursements. An examination made as of April 14, 1909, showed that the deficiency had been made good.

The convention of the Grand Lodge held in May, 1909, amended the constitution of the order and provided that a separate bank should be designated as the depository of four of the five funds (not including Cemetery), and that disbursements therefrom should only be made by checks signed by at least three officers. It was also provided that the receipts should be deposited in a bank daily, to be used as a clearing house, and redeposited weekly in the banks designated for the separate funds.

On December 31, 1909, the total membership was 130,842 and the amount of insurance \$65,421,000. The order transacts business in twenty-five States.

Charity Fund

This fund is maintained by and expended for the lodges of Greater New York only, and therefore has not been included in the general financial statement. Two hundred and thirty-one lodges

subscribe to this fund by means of entertainments, balls and picnics, but not by any regular assessments upon their members. A committee of ten members appointed by the Grand Master investigates all cases of members reported in distress and makes a report thereon, signed by the Chairman, to the Grand Master. A check is then drawn on the bank in which the moneys of this fund are deposited, signed by the Grand Master, Grand Secretary and Chairman of Charities. A statement of this fund, showing the income and disbursements for the year, is as follows:

Deficit, December 31, 1908.....		\$480 85
---------------------------------	--	----------

Income

Balls, picnics, entertainments, etc.....	\$6,241 72	
Transferred from General Fund, per resolution.	3,278 78	
		<hr/> 9,520 50
		<hr/> \$9,039 85

Disbursements

Hospitals, charitable institutions, miscellaneous individuals and expense of committee.....		8,551 55
		<hr/>
Balance, December 31, 1909.....		\$488 30
		<hr/> <hr/>

Assets

Cash in bank	\$480 80
Cash in office	7 50
	<hr/>
	\$488 30
	<hr/> <hr/>

Cemetery Fund

Prior to the year 1899 this order, in its own name, owned and maintained three cemeteries located in Washington Cemetery, Brooklyn, N. Y. During that year, we are informed, the order deemed it best to rid itself directly of the cemeteries, and consequently made the Executive Committee of the Grand Lodge Trustees for the lodges of Greater New York, said committee to act as Board of Directors for the lodges. The Chairman of the Ritual Committee, elected at the annual convention, is in reality the Chairman of the Cemetery Committee.

In 1901 the lodges of Greater New York purchased two other cemeteries in Washington Cemetery, final payment for the same being made in 1909. All the cemeteries were paid for and maintained by assessments of ten cents per member, levied annually

upon the members of such lodges of Greater New York which did not own cemeteries of their own. The number of lodges interested in these cemeteries on the date of this examination was 181, and the statement of this fund was therefore not included in the general financial statement of the Grand Lodge. About seventy lodges in Greater New York have their own cemeteries. At the present time, all the cemeteries having been paid for, no cemetery assessment is levied on any of the members. At a meeting of the Executive Committee held on May 18, 1909, a resolution was adopted providing that the moneys of this fund should be deposited in the bank of M. & L. Jarmulowsky, and that all checks thereon should be signed by the Grand Secretary.

Pursuant to a resolution adopted by the Executive Committee on May 31, 1909, this fund loaned \$5,500 to the General Fund of the Grand Lodge, no part of which has been repaid. This money was borrowed from the Cemetery Fund so that the General Fund would not be compelled to pay interest for borrowed money.

A statement of this fund, showing the income and disbursements for the year ending December 31, 1909, and the assets and liabilities as of that date, is as follows:

CEMETERY FUND	
Balance, December 31, 1908, as per record.....	\$9,652 57
<i>Income</i>	
Assessments	\$2,471 90
Permits	667 00
Headstones	4,288 40
Reserve graves	295 00
	<hr/>
	7,722 30
<i>Disbursements</i>	
	<hr/>
Headstones and reserve graves, deposits returned.	\$4,694 00
Headstones purchased	207 00
Care of Washington Cemetery.....	1,283 38
Washington Cemetery Association, final payment and interest on contract for land purchased	2,086 00
Miscellaneous expenses	132 50
	<hr/>
Total disbursements	8,402 88
Balance, ledger assets, December 31, 1909.....	<hr/> <hr/> \$8,971 99

<i>Assets</i>		
Cash in bank	\$3,363 79	
Cash in office	108 20	
Loaned to general fund.....	5,500 00	
		<hr/>
		\$8,971 99
<i>Liabilities</i>		
S. Binswanger, bill for care of cemetery.....	\$405 50	
Children's headstones deposit, held as guar- antees	266 00	
Large headstone deposits, held as guarantee..	2,630 00	
		<hr/>
		3,301 50
		<hr/>
Surplus, December 31, 1909.....		\$5,670 49
		<hr/>

Minors' Accounts

Article VIII, section 14, of the laws of the order provides as follows:

"All moneys due for an endowment to minor children who are beneficiaries of a deceased member shall be deposited in a savings bank or trust company at interest, each endowment to be deposited in a separate account in the name of the Order as Trustee for such minor or minors, and not to be withdrawn therefrom nor paid to the beneficiaries until said minors reach the age of majority, unless a guardian of the property of such minors shall be duly appointed by a Surrogate Court, or other court of competent jurisdiction, to which guardian such endowment may be paid for such minors upon production of a certificate of the appointment issued by such court and proper proof thereof, and upon the execution of such a release as shall be required by the Executive Committee."

The convention of 1909 adopted the following amendment as an addition to section 1 of article V of the constitution:

"A Grand Trustee, who shall be Trustee of the Grand Lodge for all moneys deposited in favor of orphans and unknown heirs of deceased members; that each deposit in a bank be made under his name and signature as Grand Trustee of the Order, and the money thus deposited can be withdrawn only on his signature."

The Grand Secretary is the trustee of all moneys deposited prior to the adoption of this amendment, so that at the present time the Grand Secretary and the Grand Trustee are severally the trustees of all the minors' accounts.

The following is a statement of this account on December 31, 1909:

MINORS' ACCOUNT

Balance held in trust for minors, deposited in banks, December 31, 1908.....	\$18,277 35
--	-------------

Income

For minors in trust.....	\$7,943 53	
Interest on bank deposits in trust for minors.....	638 68	
		<hr/> 3,582 21
Total		<hr/> \$26,859 56

Disbursements

Minors, having arrived at age, or their legal representatives.....	739 21
Balance, December 31, 1909.....	<hr/> \$26,120 35

Assets

Cash in savings banks.....	<hr/> \$26,120 35
----------------------------	-------------------

Liabilities

Minors' accounts deposited and held in trust.....	<hr/> \$26,120 35
---	-------------------

Salaries

Previous to the convention of 1909 the Secretary paid the office employees from his salary. The convention of 1909 adopted the following resolution:

"Resolved, That the salary of the Grand Secretary shall be the sum of Twenty-five hundred dollars (\$2,500) per annum, payable monthly; that the Executive Board shall be, and is hereby, authorized to appoint such additional bookkeepers, clerks and stenographers as in their judgment shall be necessary for the proper conduct of the business of the Grand Secretary and Grand Treasurer, and to fix the compensation of such employees; that all employees in said Grand Secretary's office shall be subject to removal by the Executive Board at any time."

The Grand Secretary is the only officer at the present time drawing a salary. The salary of the counsel to the order is \$1,200 per annum.

Conclusion and Recommendations

Since the last examination made by this Department the system and manner of bookkeeping has been improved and additional safeguards have been thrown around the financial affairs of the order. However, it seems necessary for the best interests of the order that further changes be made. Therefore, we respectfully make the following recommendations:

1. That the private funds of the Grand Secretary be kept separate from any funds belonging to the order.

2. That all payments from the general fund be made by check.

3. That itemized vouchers, signed by the claimant, be obtained for all disbursements, and that such vouchers or claims be numbered and filed systematically.

4. That the record of death claims be made more complete by showing the date of payment, and also the date and amount of any advance payment.

5. That a thorough investigation be made by the order into the question of rates, and that future rates be made on a scientific and more equitable basis.

6. That the balance to the credit of each fund, as shown by the books of the order, be verified at least monthly with the actual assets to the credit of each fund. This, especially, in view of the fact that the actual assets at the time of making the annual report to the Department in past year has been less than the balance which was shown by the books.

7. That the time elapsing between the approval of the death claims and the payment thereof be considerably shortened.

8. That the Grand Lodge ratify the action of the Executive Committee in collecting assessments for the years 1908 and 1909 for the Endowment, Reserve and General Funds.

9. That if the basis for the rates of assessment on the members for the Endowment Fund remain the same as at present, that the annual convention establish such rate itself, and that the Executive Committee collect that established rate or be duly authorized to decrease the same. This recommendation is in view of the fact that the annual convention established a rate of one cent per member for each death, but less than one-half of such rate has been collected by the Executive Committee.

10. That the order file with the Insurance Department annually, with its report, a separate statement of the Cemetery Fund and of the Charity Fund, such statement showing income and disbursements, and assets and liabilities.

11. That the minutes of the meetings of the Executive Committee be written in both German and English. At the present time only German is used.

We file with this report a copy of the benefit certificate, constitution and laws, and proceedings of the annual convention of 1909.

Respectfully submitted,

CLARENCE J. NORTON
Assistant Examiner
 JOHN L. TRAIN
Assistant Examiner

STATE OF NEW YORK }
 COUNTY OF ONONDAGA } ss.:

Clarence J. Norton, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CLARENCE J. NORTON

Subscribed and sworn to before me
 this 11th day of February, 1910.

LUCIUS G. LACY,
 (L. S.) *Notary Public, Onondaga County.*

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

John L. Train, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

JOHN L. TRAIN

Subscribed and sworn to before me
 this 8th day of February, 1910.

KATE F. CAHILL,
 (L. S.) *Notary Public, New York County.*

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *February 4, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—I have to report that the examination directed to be made under authority of your appointment No. 2329, dated

January 21, 1910, annexed hereto, of the Cosmopolitan Fire Insurance Company of New York, has been completed.

The examination was made as of January 20, 1910, and on said date the financial condition of the said company, in so far as could be ascertained from the books, was found to be as follows:

Assets

	Par Value.	Market Value.	
N Y City cons stock 1929 2½s..	\$70,000 00	\$56,000 00	
U. S. cons 1930 2s.....	10,000 00	10,200 00	
<hr/>			
Total par and market values.	\$80,000 00	\$66,200 00	\$66,200 00
Cash in bank.....			4,665 01
Cash in office.....			50 00
Interest accrued on bonds.....			400 00
<hr/>			
Total assets			\$71,315 01

Liabilities

Unpaid losses less reinsurance thereon.....	\$18,702 69
<hr/>	
Total liabilities except capital.....	\$18,702 69
Capital stock	300,000 00
<hr/>	
Total liabilities	\$318,702 69
<hr/>	
Excess of liabilities over assets (impairment).....	\$247,387 68
<hr/>	

In the above list of assets, the amount of \$10,000, par value, of United States Consols, is on deposit with the Insurance Commissioner of the State of Georgia. From correspondence on file in the office of the company, it appears that the above mentioned deposit will soon be returned to the company as all the conditions required by the Insurance Commissioner of Georgia for the return of said deposit, have been complied with.

On December 31, 1908, the Cosmopolitan Fire Insurance Company reinsured in the Royal Exchange Assurance Company of London, England, and as the amount of unearned premiums was \$435,851.01, the Cosmopolitan received \$140,327.17 as its commission for the same.

By a reference to the minute book of the company, it was ascertained that a meeting of the stockholders was held on April

26, 1909, for the purpose of electing directors for the coming year, and that at such meeting a resolution was proposed and adopted, in part, that the company shall cease doing any new business and proceed to liquidate its affairs. Following this on May 5, 1909, was held a meeting of the board of directors, at which meeting the above mentioned action of the stockholders was confirmed. At this meeting there was presented a statement of the assets and liabilities of the company as of April 30, 1909. From the financial condition of the company, contained in said statement, the directors decided to distribute \$150,000 of the cash assets among the stockholders. Accordingly on May 10, 1909, a check for \$150,000 was drawn and deposited with the Empire Trust Company of New York, and the Stockholders, on presentation of their stock certificates at said bank, were to receive 50 per cent. of the face value of the same. Certified copies of the proceedings of the above mentioned meetings are annexed to this report, together with a copy of the financial statement of the company as of April 30, 1909.

From an interview with a member of the firm of Messrs. Wollman & Wollman of 20 Broad street, New York, attorney for this company, it was ascertained that it was the intention of said attorneys to soon make application to the court for permission to liquidate the affairs of said company.

Your attention is respectfully directed to the company's annual statement, filed with the department on December 31, 1908. Under the head of liabilities, the item "Unpaid Losses" is reported in the sum of \$150,392.14, whereas, from an examination of the company's loss book and papers in connection therewith, the liability for said unpaid losses is found to be, approximately, \$200,000. The above statement as signed and sworn to February 1, 1909, by Leo A. Loeb and William Wood, vice-president and secretary of the company, respectively, is incorrect; and yet, the secretary, in an affidavit, annexed hereto, disclaimed all knowledge at that time of any liability other than as reported in the above mentioned statement.

Respectfully yours,

CHARLES H. GARDNER,
Assistant Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHARLES H. GARDNER.

Subscribed and sworn to before me
this 9th day of February, 1910.

[L. S.] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *February 8, 1910*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.— Acting under your appointment No. 2248, dated September 24, 1909, and hereto annexed, we have made an examination of the condition of the St. Lawrence Life Association of New York City, a co-operative assessment association, operating under article VI of the insurance law. This examination was made as of October 31, 1909, and the condition of the company on said date was found to be as follows:

<i>Ledger Assets</i>	
Cash in office.....	\$183 95
Cash in banks	4,564 10
Mortgage loan	241 40
Agents' balances	1,295 30
Premium liens	268 85
Premium notes	98 10
	<hr/>
	\$6,651 70
<i>Non-Ledger Assets</i>	
Assessments called, but not more than thirty days over due.....	\$1,713 39
Furniture and fixtures.....	1,003 10
	<hr/>
Total	2,716 49
	<hr/>
Gross assets	\$9,368 19

Deduct Assets Not Admitted

Furniture and fixtures.....	\$1,003 10	
Agents' balances	1,295 30	
Premium liens	268 85	
Premium notes	98 10	
		<hr/>
		\$2,665 35
Total admitted assets.....		<hr/>
		\$8,702 84

Liabilities

Emergency fund, as required by section 205 of the insurance law.....	\$1,608 68	
Policy claims reported.....	94 90	
Advance assessments	23 60	
Cash in lieu of fidelity bond.....	50 00	
		<hr/>
Total		1,777 18
		<hr/>
Surplus		\$4,925 66
		<hr/>

The following is a statement of income and disbursements from November 1, 1908, to October 31, 1909.

Income

Balance, October 31, 1908, as per association's books.....		\$3,660 60
Assessments	\$17,862 87	
Dues	758 50	
Admission fees	390 50	
Premium receipt books.....	2 55	
Duplicate policies	4 00	
Special collections	83 00	
		<hr/>
Total paid by members.....	\$19,101 42	
Rent for desk room.....	8 55	
Interest	23 86	
Premiums on account of surety bonds.....	5 98	
		<hr/>
Total income		19,139 81
		<hr/>
Total		\$22,800 41

Disbursements

Sick benefit claims	\$1,893 07	
Accident claims	625 51	
Death claims	250 39	
Return premiums	39 30	
		<hr/>
Total paid to members.....	\$2,808 27	
Salaries of officers	2,560 00	
Salaries of office employees.....	1,009 99	

Salaries of agents	\$3,821 58
Commissions	1,451 02
Collection fees	1,094 55
Inspector's fees	42 00
Telephone	62 15
Rent	1,064 03
Furniture and fixtures	42 49
Printing and advertising	444 39
Stationery and postage	338 45
Legal expenses	15 25
License fees	65 00
Medical examiner's fee	2 00
Exchange	8 14
Association buttons	79 10
Travelling expenses	732 28
Advanced to J. J. Barnsdale, Pres.....	400 00
Advanced to K. W. Frye, Supt.....	18 60
General expense	89 42

(Total expense of management, \$13,340.44.)

Total disbursements \$16,148 71

Balance (ledger assets) \$6,651 70

Mortgage Loans

This item of \$241.40 is not a regular investment made by the association. It is a mortgage given by an agent who had failed to remit all the assessments he had collected and represents the balance not remitted. The mortgaged property consists of two vacant lots in Bayside, Flushing, Long Island. In view of the small amount involved, the property has not been appraised or the title examined by this department.

Premium Notes and Liens

The association carries on its books the accounts, premium notes and liens, which the department does not allow as an available asset. The association, however, is not accepting any more of these and the old balance, while not large, is being gradually reduced by payments on the old notes and liens. The amount paid in during the year on these accounts has been included in the item of premium receipts.

Emergency Fund

The item of \$1,608.68, charged as a liability as per the requirements of section 205 of the insurance law, was computed as ac-

curately as it was possible, considering the nature of the various policies issued by the association, and the interpretation of this section of the law. To be specific, the association has in force seven (7) policies carrying accidental death indemnity only, and on these the fund has been computed at the rate of \$2 for each \$5,000 of insurance in force, as specified in said section. Of the remaining policies, the greater number of which are combination policies carrying both a natural and accidental death indemnity, the amount of one assessment or periodical call has been charged.

Expense of Management

This association has expended for the year ending October 31, 1909, approximately, seventy (70) per cent. of its premium receipts for cost of management. Section 207 of the insurance law limits companies operating under article VI, relative to disbursements for expenses of management, to thirty-five (35) per cent. of its premium income. Therefore, this association has exceeded the limitation provided in said section. The president claims that this association is not subject to the provisions of this section, it being exempted by the last clause contained in section 208, by reason of the maximum amount of policy issued by it, for natural death indemnity, being \$200. It appears to your examiners that the exemption claimed is not applicable to companies which unite in the same policy both life and casualty insurance, and this association does issue such combination policies with maximum natural death indemnity of \$200 and maximum accidental death indemnity of \$400. Furthermore, in an opinion rendered by the Attorney-General, under date of August 29, 1907, bearing on this same subject, he holds:

“While for purely casualty business it may be that there is no statutory limitation upon expenses, as this company unites both life and casualty insurance in the same policy, I consider that the spirit and intent of the recent insurance legislation is to limit in companies of this character the expense of management, which includes all expenses of getting new business to thirty-five (35) per cent. of its actual cash income from premiums, assessments and membership fees.”

Travelling Expenses

The two items shown in disbursements as money advanced, viz: \$400 to J. J. Barnsdale, President, and \$18.60 to K. W. Frye,

Superintendent, was stated to be for travelling expenses and the said amounts were so charged on the association's books subsequent to the date of our examination. Including the above amounts as chargeable to travelling expenses, the sum total of this account for the year ending October 31, 1909, would be \$1,150.88. The total amounts shown in this account for the past four years appear in annual reports as follows:

1905	\$217 27
1906	294 90
1907	148 90
1908	374 65

This large increase in expenditure for travelling expenses for the year ending October 31, 1909, was explained by the president to be caused by numerous trips made by himself and Mr. K. W. Frye in visiting the agency field, for the purpose of increasing the business of the association.

Policy Forms

This association issues various forms of policies, covering sick and accident benefits, natural death and accidental death indemnities. We file with report copies of the forms of policy contracts now issued, and a copy of the by-laws.

We were advised that all of these forms have been filed with the insurance department, with the exception of two, viz: the *revised* Health and Accident Policy and the *revised* Combined Health and Accident Cash Dividend Policy. The association claims that while the department criticised some of these policies, it consented in 1907 to allow the association to continue issuing them pending the preparation of new forms to conform with the department's ruling. The new forms had not yet been printed and put in use at the date of our examination, except in the two instances mentioned above. The *revised* Dividend Policy has been modified in section 5 by eliminating the words "but not to exceed the sum of two hundred fifty dollars" in the provision for payment of dividends.

Section 210 of the insurance law reads in part as follows:

"Every policy or certificate hereafter issued by any corporation doing business under this article, and promising a payment to

be made upon a contingency of death, sickness or accident, shall specify the sum of money which it promises to pay upon each contingency insured against, and the *number of days after receipt of proof of the happening of such contingency in which such payment shall be made.*"

We call your attention to the fact that in only one of these policies being issued at present (the Cash Dividend Policy) has the last clause of the section quoted above been complied with. In defense of its position the association contends that by *not* specifying any number of days in which payment shall be made, it is clearly understood that payment shall be made *immediately* on the filing of satisfactory proof.

Death and Disability Claims

All the death claims paid and a large number of the disability claims, covering the period of this report, were examined and checked. The adjusted or approved claims were found to have been paid very promptly, in fact, the disability claims being paid weekly, prior to the filing of the final proofs. A considerable number of the disability claims were not approved for various reasons, but practically all on account of the exemptions contained in the different policies or the provisions in the same not having been complied with by the insured. It would appear from the correspondence filed with these claim papers that the policyholders do not thoroughly understand the conditions of their policies. The following correspondence will serve as an illustration and is a fair sample of the matter referred to above.

Re-policy No. 38347.

"April 19, 1909.

"I write you stating of my accident on Saturday, 17th, 1909. falling in streets and receiving a broken thigh, would be glad to see or hear from your agent at once."

Reply

"Dear Madam:

Yours of the 19th just received. We are very sorry to hear of your accident, and trust it will not turn out to be as serious as you think for. We regret very much to state that the benefits under your policy are not in force. You applied for your policy only last January, and the benefits are in force for

half benefits when the policy is 13 weeks old, but your policy will not be in force until April 26. Any illness or injury occurring to you before April 26, 1909 would not be covered, therefore you could not draw benefit for your present disability. It is too bad you did not take your policy out earlier.

With best wishes, we are,

Yours very truly,
Secretary."

Annual Meeting and Elections

Section 2, of article VI of the by-laws reads as follows:

"All such elections shall be by ballot and a plurality of votes shall elect."

Section 2 reads as follows:

"Such elections shall be conducted under the direction of three inspectors to be appointed by the Board of Directors at each annual election, and the polls shall remain open for one hour from the time mentioned in the call, but no longer."

These two sections of the by-laws have not been complied with in recent years, the manner of conducting such elections being simply formal.

No record of any meeting in recent years of the Board of Directors or the Executive Committee (except the regular annual meeting) appear in the minute book.

Duties of Officers

Section 4, of article IV, states:

"The Treasurer shall receive all moneys from the Secretary, giving his receipt therefor, and shall deposit the same in such banks or trust companies as shall be designated by the Board of Directors, to be drawn out only on check of the president countersigned by himself.

He shall pay all orders signed by the Chairman of the Executive Committee, attested by the Secretary, and audited by the Board of Directors or Executive Committee.

He shall keep a correct account of all moneys received and paid out, and shall present a quarterly statement of the same to the Board of Directors.

His books shall at all times be open to the inspection of the Board of Directors or Executive Committee.

He shall, when required, deliver to the Board of Directors, or to his successor in office, all the money, books, papers and valuables of the association which may be in his possession."

This section is not being complied with, inasmuch as the treasurer does not receive or disburse any of the funds of the association, keeps no books of record, and therefore is not in a capable position to make any quarterly statement to the board of directors as required.

The actual duties of the treasurer seem to be only the counter-signing of blank checks, for which he receives a compensation of \$19 per month.

Officers and Compensation

The following is a list of the officers of the association and the annual compensation received by each:

Name.	Position.	Compensation per annum.
J. J. Barnsdall.....	President.....	\$1,300 00
L. W. Southwick.....	Vice-President.....	None.
E. E. Mears.....	Secretary.....	936 00
L. W. Southwick.....	Treasurer.....	228 00
Dr. G. D. Farwell.....	Medical Examiner.....	None.

The records of the association show that a loan of \$1,000 was made on February 5, 1907, to C. M. Metcalf, a director, and the same was repaid by her on March 27, 1907. The explanation regarding this transaction, as given by the president, is as follows: In December, 1906, he, desiring to refund part of his annual salary to the association to the amount of \$1,000, and not having the ready funds, borrowed from his sister, Mrs. C. M. Metcalf, who was and is now one of the directors, this amount, with the understanding that he would repay the same at a certain time. Not being in a position to fulfill his agreement on the date promised, he arranged with the association to loan Mrs. C. M. Metcalf \$1,000. On his obtaining certain funds which he had been expecting, he refunded to Mrs. C. M. Metcalf the \$1,000 which he had borrowed, and she in turn repaid her loan from the association.

The association is licensed to do business and is operating in the states of New York and Pennsylvania. Your examiners discovered that the association is also doing business in the state of Florida, without permission from the insurance department of that state, having eleven (11) policyholders and an agent in the person of D. M. Pappy, No. 86 Washington street, St. Augustine, Florida.

The total number of policies in force on October 31, 1909, was approximately 1,831.

The association has still deposited with the American Surety Company \$200, as collateral security for a bond of indemnity which the latter company gave in a law suit which was brought against this association and appealed by it. The president informed us that the suit in question had been abandoned by the plaintiff, but through the negligence of the attorney having the matter in charge, the final papers had not been filed. The matter seems to be in the same state as it was on the date of previous examination made (1907). We consequently do not allow this as an asset, neither do we charge the claim as a liability.

Respectfully submitted,

CLARENCE J. NORTON,
Assistant Examiner.

J. J. CUNNINGHAM,
Assistant Examiner.

STATE OF NEW YORK
COUNTY OF ONONDAGA } ss.:

Clarence J. Norton, being duly sworn, deposes and says that the foregoing report subscribed by him, being an amendment of the same report subscribed and sworn to by him on the 8th day of January, 1910, is true to the best of his knowledge and belief.

CLARENCE J. NORTON.

Subscribed and sworn to before me,
this 11th day of February, 1910.

(L. S.) LUCIUS G. LACY,
Notary Public, Onondaga County.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

J. J. Cunningham, being duly sworn deposes and says that the foregoing report subscribed by him, being an amendment of the same report subscribed and sworn to by him on the 8th day of January, 1910, is true to the best of his knowledge and belief.

J. J. CUNNINGHAM.

Subscribed and sworn to before me,
this 14th day of February, 1910.

(L. S.) KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *February 15, 1910*

HON. WILLIAM H. HATCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your appointment No. 2327, hereto annexed, dated January 13, 1910, I have made an examination of The Hamilton Fire Insurance Company of New York for the purpose of verifying the annual statement filed with the Insurance Department for the year ending December 31, 1909.

A statement showing the income and disbursements for the year 1909, and the assets and liabilities as of December 31, 1909, is herewith respectfully submitted.

Balance December 31, 1908.....	\$213,379 07
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INCOME, *January 1, 1909, to December 31, 1909*

Premiums, gross	\$6,161 76
Interest	8,784 95
Sale of maps, etc.	453 13
Dividend checks returned	170 10
Commission	5 50
Return premiums not distributed.....	208 93
Profit on sale of securities.....	6,794 00

Total income	22,578 57
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\$235,958 04

DISBURSEMENTS, *January 1, 1909, to December 31, 1909*

Losses paid	\$2,390 65
Adjustment expense	373 05
Salaries	3,584 19
Rent	1,280 24
Advertising, stationery, etc.	179 21
Postage, etc.	214 41
Legal expense	483 59
Board tax, \$36.81; fire department, \$16.55...	53 36
State tax	7 39
Return premium paid	42 45
Sundry expense	54 53
Adjustment book value of bonds.....	33 75

8,696 82

Balance ledger assets to December 31, 1909.....	\$227,261 22
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ASSETS		
Mortgage loans	\$50,000 00	
Book value of bonds.....	\$132,245 15	
Book value of stock	28,037 50	
	<hr/>	
Cash in bank.....	160,282 65	
Uncollected premiums not more than three months past due.....	10,028 59	
Uncollected premiums more than three months past due	6,161 76	
	<hr/>	
	788 22	
Total ledger assets.....		\$227,261 22
NON-LEDGER ASSETS		
Interest accrued on bonds.....	\$803 33	
Interest accrued on other assets.....	100 00	
	<hr/>	
		903 33
Total		<hr/>
		\$228,164 55
Deduct Assets Not Admitted		
Uncollected premiums more than three months past due	\$788 22	
Book value of bonds and stock over market value	782 65	
	<hr/>	
		1,570 87
Total admitted assets		<hr/>
		\$226,593 09
LIABILITIES		
Unpaid losses		\$1,261 01
Unearned premiums on one year risks.....	\$5,279 00	
Unearned premium on term risks.....	72 00	
Unearned premium account commission received from Delaware Fire Insurance Co. of Philadelphia (estimated)	1,000 00	
	<hr/>	
Total unearned premium.....		6,351 00
Dividends remaining unpaid.....		734 85
Commissions due		801 03
State tax accrued		11 00
Return premiums		208 93
Legal expense accrued		200 00
Due account fractional stock.....		51 36
	<hr/>	
Total amount of liability except capital.....		\$9,620 08
Capital stock	\$200,004 00	
Surplus	16,969 60	
	<hr/>	
Surplus to policyholders.....		216,973 60
Total liabilities		<hr/>
		\$226,593 68

All items of assets and liabilities as set forth in the company's annual statement to the department December 31, 1909, have been carefully checked, and result in a reduction of the surplus of the company from \$18,409.66 to \$16,969.60.

The following corrections have been made in the company's list of assets, viz.:

In the company's statement, under the head of nonledger assets, the sum of \$400 representing "accrued interest on other assets" was not allowed, it being a dividend of 1 per cent. on 400 shares of American Smelters and Refining Company's stock, which sold exdividend on December 24, 1909. However, on December 29, 1909, the company sold 100 shares of said stock, receiving payment therefor the day following, but as the company was in possession of the same on December 24, 1909, credit has been given for the dividend amounting to \$100 on the stock sold. According to schedule of valuations furnished by the Insurance Department, the market rate of 105 allowed on the remaining 300 shares of said stock includes the dividend.

In the company's list of assets not admitted, the item \$1,792.20, representing the book value of its securities in excess of the market value, has been reduced to \$782.65 as above set forth in the report of this examination. The reduction in said amount arises from the fact that the market rates in the schedule of valuations furnished by the department as of December 31, 1909, are higher than those used by the company.

In the report of this examination, the sum of \$4,621.32 in the company's list of liabilities, under the head of unearned premiums, has been increased to \$6,351, the difference arising in part from the fact that the company computed its unearned premiums on the basis of 75 per cent. of the gross premium income, whereas the policies having been written in December, 1909, the company should have charged itself with the full unearned thereon or 23/24 of the gross premiums in force.

Furthermore, in accordance with section 22 of the insurance law, the company should have charged itself with an amount representing the commission on the unearned premiums on policies reinsured in the Delaware Fire Insurance Company and still in force December 31, 1909. The amount of said charge to the company is estimated to be \$1,000.

In the list of liabilities as above set forth, the company has been charged \$11 for state taxes accrued and \$200 for legal expenses.

There is still a further charge of \$208.93 appearing in the above list of liabilities for return premiums. This sum represents the amount of return premiums due and payable to various assured by the company under its former management and for which checks were drawn but never presented, the whereabouts of the claimants being unknown. In the income statement contained in this report this item has been included under its proper heading, the company in its annual statement including same as part of the premium income, and charging no liability for a return thereof.

The Hamilton Fire Insurance Company reinsured its business on April 1, 1908 in the Delaware Fire Insurance Company of Philadelphia, Pa., and from such date up to December, 1909, no new business was written by said company. On or about December 1, 1909, new interest secured control of the stock of the Hamilton Fire Insurance Company and from said date re-engaged actively in the business of fire insurance.

From an examination of the stock ledger and the stock certificate book, it was ascertained that there are outstanding 13,333 $\frac{1}{2}$ shares of capital stock of the par value of \$15 each, making the capital of the company the sum of \$200,004.

No appraisal has been made of the property securing the asset item mortgage of \$50,000 as a reference to department appraisal report shows a valuation of \$85,000 on said property as of March 17, 1905.

Annexed to this report is a schedule of the bonds and stock owned by the company on December 31, 1909, setting forth the book, par and market values of same.

The following is a list of the officers of said company with the yearly compensation of each:

E. C. Jamieson, President,

Joseph S. Stout, Vice-President,

Arthur Lenssen, Jr., Secretary, \$1,800

Respectfully submitted,

CHARLES H. GARDNER

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

CHARLES H. GARDNER

Subscribed and sworn to before me this

15th day of February, 1910.

KATE F. CAHILL,

(L. S.) Notary Public, New York County.

EXHIBIT

Schedule of Bonds and Stocks

Bonds	Book Value	Par Value	Market Value
N. Y. City, 1955, 4%	\$53,000 00	\$53,000 00	\$53,000 00
N. Y. City, 1954, 3½%	25,000 00	25,000 00	22,500 00
N. Y. City, 1921, 3%	20,000 00	20,000 00	18,200 00
N. Y. City, 1914, 3¼%	34,245 15	35,000 00	34,300 00
Stock			
300 shares American Smelters & Refining Company	28,037 50	30,000 00	31,500 00
Total	\$160,282 65	\$163,000 00	\$159,500 00

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

ALBANY, N. Y., *February 15, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In pursuance of your appointment of myself as special deputy superintendent of insurance to conduct the business of the Knights of Modern Chivalry of Albany, N. Y., I have to report that I have been in possession of the office of the society

and have been conducting its business since the 3d day of January, 1910.

In the report of Assistant Examiner John L. Train, rendered to you under date of December 20, 1909, copy of which is annexed hereto, and made a part of this report, it is set forth that the total assets of the society on December 15, 1909, consisting of cash in bank, amounted to \$109.31; total liabilities, \$1,407.02; excess of liabilities over assets, \$1,297.71. Subsequent to the date last mentioned and on December 17th, 18th and 21st, Mr. N. N. Hicks, the chief justice of the society, drew against cash in bank checks aggregating the sum of \$74; which will account for the reduction in amount of "cash in bank" as shown below.

The financial condition of this society as of February 14, 1910, is as follows:

Assets

Cash in bank.....	\$35 31
Furniture and fixtures (estimated).....	225 00
Total	\$260 31

Liabilities

August Gast Bank Note and Litho. Company, St. Louis, Mo..	\$293 02
F. S. Pitcher, Schenectady, N. Y.....	379 63
The Argus Company, Albany, N. Y.....	103 00
Neil G. Nyland, Albany, N. Y.....	107 00
C. F. Williams & Son, Albany, N. Y.....	389 70
Albert C. Goodwin, Albany, N. Y.....	1,000 00
Salaries, officers	400 00
Borrowed money	300 00
Rent of office, January, 1910.....	34 00
Myra J. Snow, Albany, N. Y., wages.....	9 00
Smith Premier Typewriter Co.....	140 00
New York Telephone Co.....	15 00
Albany Electric Illuminating Co.....	1 50
Helmes Brothers, Albany, N. Y.....	88 00
Total liabilities	\$3,259 85
Excess of liabilities over assets.....	\$2,999 54

The first six items of liabilities as above recited, represent amounts due for printing, electrotyping, and lithographing. All these accounts stand against the "Knights of Modern Chivalry."

Attention is called to the increase in amount of liabilities appearing in this report as compared with the report on examination dated December 20, 1909. This is accounted for by the officers not having made a full statement in regard to this item as of December 15, 1909. The items of rent, amounting to \$34, and claim of Myra J. Snow, accrued since the examination.

No mention is made in liabilities of amounts apparently due for indemnity claims made by two members, owing to accidental injuries received by them for the reason that no proofs have been filed at this writing by such claimants.

When the undersigned took possession of the society as your representative, request was made of the postmaster, Albany, N. Y., to turn over to me the mail which had been accumulated since the first order was granted by the court restraining the society from further transaction of business, to wit, on December 22, 1909. In such mail duly received, and that which subsequently came into my possession, I found checks, drafts, and money orders sent by physicians residing in different parts of the country in response to circulars of the society appealing for applications which aggregated the sum of \$830. As I could not furnish the insurance requested, incident to the applicants being appointed medical examiners in their respective localities, the amounts sent totaling \$830 were returned to each person entitled thereto and their receipts for same are in my possession. The reason for this action must be apparent after reading of this report.

On December 30th last, a committee of the officers and trustees of this society called at the Insurance Department and were given a hearing by you. It was submitted by such officers that the society should be permitted, with the sanction of the courts, to resume business, and that they would furnish at an early date evidence which would show that they were entitled to reorganize the corporation's affairs, so that the report to be made to you by your representative, and in turn presented to the court would be of such a character that an order granting the right to resume business would be warranted and might be reasonably expected. The officers who appeared expressed their repudiation of Mr. Hicks.

the chief official of the organization, whose acts they condemned and assured you that his connection with the society would be severed. This was advanced as one of the important reasons why the society should be allowed to resume operations. Messrs. Fenwick and DeVoe, counsel and supreme record keeper, respectively, of the organization were the prominent persons figuring in this application for the consideration of reasons why the society should be continued. Subsequently, and on January 26, 1910, Messrs. Fenwick and DeVoe called and discussed with the undersigned their proposed plan to resume business. They first requested that I should close the office of the society as of January 31, 1910, in order that the expense of rent should be cut off. On February 1st and 2d instant, I had the property of the society, consisting of office furniture, removed to the Albany Safe Deposit and Storage Company, and the keys of said office were surrendered to the agent and lessee of the premises.

Messrs. Fenwick and DeVoe discussed on the date mentioned their desire to take up the work of continuing the society, and in brief stated that they would call a meeting of creditors and make a settlement of claims. They were asked if the item of liabilities appearing in report on examination dated December 20, 1909, represented all that the society owed. They answered in the affirmative. They were requested to place in writing their plan of reorganization, and further on being asked if they were to personally assume payment of debts of the society, stated that they so intended. They were asked if they would make cash settlements, and answered in the affirmative, adding, that they would at a meeting of creditors make the best basis of settlement possible, but that evidence of the wiping out of all indebtedness would be presented as well as showing that Mr. Hicks' services were terminated. This evidence was to be furnished "in about a week" from January 26th last. At this writing it has not been presented.

Mr. C. F. Williams, one of the claimants present at meeting of creditors called subsequent to January 26th last, has advised me that the proposal made by Messrs. Fenwick and DeVoe, consisted of having the creditors sign waivers of all claims against

the society in consideration for which these two officers agreed to sign 90 per cent. of all salaries accruing to them from the society in the future, continuing such arrangement until claims should be liquidated.

If the officers of the society were to liquidate the excess of liabilities over assets now existing, there would still be presented the spectacle of a fraternal order requesting consent of the courts to resume business without a dollar in its treasury and a liability, on account of outstanding insurance, approximating \$536,000. As the report of December 20, 1909, annexed hereto, gives a detailed history of the society, it will only be necessary to summarize the situation to prove that the existence of this corporation should not be prolonged.

When this society organized it had in its treasury the sum of \$4,975 paid in by the original applicants for membership. This sum has been entirely dissipated in addition to the other amounts set forth in the report on examination dated December 20, 1909. In the report of Assistant Examiner Train mention is made of the fact that most of the disbursements of the organization were made under checks drawn by Mr. Norman N. Hicks. It is found from voucher in my possession that Messrs. Fenwick and DeVoe, who now propose to reorganize the society, jointly drew, as directors, a check dated June 11, 1909, two days after the Knights of Modern Chivalry received license to do business, on the Citizens' Trust Company of Schenectady, payable to "cash" in the sum of \$2,958.07, consisting of the entire deposit in that institution, being moneys paid in by original applicants for membership in the order. Of this amount, \$1,447 went for "salary of officers" and traveling expenses. There is nothing in the statute expressly prohibiting the payment of salaries to officers of a fraternal order in process of organization, but when the purpose of the creation of such a society is considered, the manner in which the funds of this particular corporation were dissipated characterizes itself.

As further showing that the society has been run by its officers as a vehicle for self enrichment you have but to consider the following:

The two hundred original members, with the exception of four, were obtained generally speaking by solicitation through the mails. These members were scattered throughout the United States, yet this New York corporation having no license to do business in any other State, furnished those members residing in foreign States with an agreement that within six months from the date of the issuance of a "certificate of deposit and agreement for refund" coincident with the payment of twenty-five dollars, they would commence to organize in the member's territory (who it is to be remembered is the medical examiner) in a satisfactory manner, otherwise, his money paid as a consideration for his appointment as "medical examiner" would be refunded. This agreement has not been lived up to and correspondence in my possession shows that demands made by members for the fulfilment thereof, after the expiration of the stipulated time, were totally ignored. It would appear that the surety bond, claimed by the management to guarantee this refund was never in force by reason of nonpayment of premium and failure to carry out other details inserted in the agreement as a condition precedent to its being enforceable.

The recklessness of the management of the Knights of Modern Chivalry in making this agreement is conspicuous. To agree with members in so many foreign States — many of whose laws could not be complied with inside of "six months" and it is safe to say not within a year or more — to establish lodges in such members territories "within six months" of a period coincident with organization lays the officers open to the charge that they were more anxious about acquiring the prospective applicants' \$25 than they were about their own reputations.

Mr. Hicks' fellow-officers seek to place on him the blame which attaches to the manner of conducting business in vogue in this society; its failure to comply with its law of incorporation and for acts committed in excess of its powers. No excuse can be offered for the methods adopted by Mr. Hicks, but I fail to see why there should be any distinction made in the premises.

If the officers who now desire to continue the society claim that Mr. Hicks acted in an officious and unauthorized manner,

they are as culpable as he, for they were in the fiduciary nature of their relationship with the society charged with full responsibility, and it must be remembered that the greater part of the business of the order was transacted from the office of Messrs. Fenwick and DeVoe in Schenectady, N. Y. I cannot find at any point evidence that any of these officers had a proper conception of the trust imposed upon them.

As shown herein and by the aforesaid report of Assistant Examiner Train, dated December 20, 1909, the methods of the management of the Knights of Modern Chivalry are calculated to deceive and mislead, and in the language of subdivision one of section sixty-three of the Insurance Law, the said society:

(a) Is insolvent.

(b) Is in such condition and its management is such that its further transaction of business will be hazardous to its policyholders, its creditors and to the public.

(c) Has wilfully violated the provisions of its charter and the laws of this State; viz., section two hundred and thirty-five of the Insurance Law.

I am of the opinion that the business of this society should be liquidated.

Respectfully submitted,

THOMAS F. BEHAN

Special Deputy Superintendent of Insurance

STATE OF NEW YORK, }
CITY AND COUNTY OF ALBANY, } ss.:

Thomas F. Behan, being duly sworn, deposes and says that the foregoing report by him subscribed, is true to the best of his knowledge, information and belief.

THOMAS F. BEHAN

Sworn to before me, this 15th
day of February, 1910.

[L. S.] FRED'K H. DUEL

Notary Public, Albany County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *December 20, 1909.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance of the State of New York, Albany, N. Y.*

SIR.—Acting under your appointment No. 2308, dated December 14, 1909, I have been engaged since December 16, 1909, in making an examination into the condition and affairs of the Knights of Modern Chivalry, a fraternal beneficiary society, organized and operating under the provisions of Article VII of the Insurance Law of the State of New York.

Under date of June 9, 1909, the Superintendent of Insurance issued to this society a final certificate authorizing said society to transact the business of insurance; this certificate being issued after an examination of the society, made by examiners from this department under date of June 4, 1909, and said examiners having reported that the provisions of section two hundred and thirty, relating to the organization of fraternal beneficiary societies had been complied with.

The examiners' report shows that on the date of their examination, the society had received from two hundred applicants, the sum of \$4,975, which sum, as shown by bank certificates was on deposit with the Citizens' Trust Company of Schenectady, N. Y., and the Union Trust Company of Albany, N. Y. The report further shows that of the two hundred applicants, one hundred and ninety-six were practicing physicians located in the various parts of the United States, and that said physicians in addition to the one per cent. insurance subscription, amounting to \$20 for each subscriber, had paid in \$5 to be appointed as a City Court Esculapius or Medical Examiner for their respective localities. The report further states that the examiners were informed that the expenses incurred up to the date of the examination for the promotion, attorney's fees, printing, etc., were approximately \$2,500.

Annexed to the report of the examiners, as Exhibit "A," is an affidavit signed by Norman H. Hicks and Milton E. DeVoe as chief justice and supreme counsel, respectively, of said society,

which states in part that "there is no intention or design existing on the part of any person, whomsoever, to withdraw any part or portion of aforesaid moneys, except for the sole and exclusive use and benefit of the beneficiaries of this society," and qualified by the statement appearing further in the affidavit that "a part of the amount paid in as above stated, viz., \$4,975, may be used for the legitimate expenses of organizing the said society." In this connection attention is called to the statement made by examiners in report of June 4th, that a sum not in excess of \$2,500 is to be considered for bearing of expenses up to that date, viz., June 4, 1909.

Also attached to this report is a schedule giving the names of the petitioners, with their addresses; the amount subscribed for by each, totaling \$4,000; the amount paid in for the insurance subscribed for, totaling \$4,000; and the amount deposited for the appointment of City Court Esculapius, totaling \$975.

The only record books in the possession of the society, as shown by your examiner, consisted of an entry book giving the names of the members and the amount paid by each. There was no record of any description as to any disbursements except the check stubs and the checks themselves as they were returned from the bank. In many cases the check stubs or checks themselves did not show for what reason the disbursement was made. It is impossible at this date, from the information that has been placed before your examiner, to classify such disbursements as have been made. Most of the checks are drawn payable to the order of Norman N. Hicks.

From date of organization, as conceded by the chief justice, Mr. Hicks, there has been received from members \$6,665.

The income and disbursements from the date of organization of this society to December 15, 1909, are as follows:

Income

Fees received from members.....	\$6, 665 00
Total income	\$6. 665 00

Disbursements

Total (as explained below).....	6, 555 69
Balance	\$109 31

I find the financial condition as of December 15, 1909, from the best information obtainable to be as follows:

<i>Assets</i>	
Cash in bank.....	\$109 31
<i>Liabilities</i>	
Salaries	400 00
Printing and stationery.....	707 02
Borrowed money	300 00
Total liabilities	<hr/> \$1,407 02 <hr/>
Excess of liabilities over assets.....	<hr/> \$1,297 71 <hr/>

Income and Disbursements

The total income is therefore the sum of \$6,665, and the total disbursements are that amount less the cash in bank, \$109.31, making the total disbursements, \$6,555.69.

On December 15, 1909, the society had two hundred and sixty-eight members, two hundred and sixty-seven of whom paid in \$20 each, and one \$15, for the insurance subscribed for; and two hundred and sixty-two, \$5 each for the appointment of city court esculapius, thus making the total income \$6,665. The total disbursements having been \$6,565.69, it is therefore clear that all the money on hand which belongs to the members of the society is \$109.31.

Owing to the fact, as admitted by the chief justice, Mr. Hicks, that the society does not have in its possession itemized vouchers for all the disbursements made, it will take a considerable period of time before the disbursements can be properly itemized. From such records as the association possesses, it is very improbable that any satisfactory check of the disbursements can be made.

The chief justice, Norman N. Hicks, stated to your examiner that these disbursements were occasioned by the expenses incurred in its organization.

It will be noted in this connection that no payments have been made to any members of the society.

The record book first shown to your examiner is a record of the receipts of the association and showed a total of two hundred and ninety members having subscribed \$7,205. Later, the chief justice, Mr. Hicks, claimed that twenty-two of the members subscrib-

ing \$540, belonged to a Pennsylvania corporation under the same management, known as the Pennsylvania State Court Knights of Modern Chivalry. No applications or any records whatsoever were shown to your examiner substantiating this claim, Mr. Hicks claiming that such applications had nothing whatever to do with this examination.

Assets and Liabilities

The assets as shown in the financial statement consist of \$107.56, on deposit with the First National Bank of Albany, and \$1.75 on deposit with the Schenectady Trust Company of Schenectady, N. Y.

The liabilities as given in the financial statement consist of \$400, due the officers for unpaid salaries. The item for \$300, for money advanced is the amount, which according to Mr. Hicks, has been advanced to the society by Alexander Fenwick and Milton E. DeVoe. Included in the amount due for printing is the item of \$293.02, owing to the August Gast Bank Note and Lithograph Company, which Mr. Hicks says, is not a just claim against the society, inasmuch as the work was done for a similar society under a different name, of which he was the promoter and organizer. Mr. Hicks admits that he ordered the printing and lithographing, as furnished by this company, but states that their only redress is a personal claim against himself.

In conclusion regarding the financial exhibit and financial statement, it is evident that while the present members have paid in \$6,665, that if all the outstanding bills against the society at the present time were paid, the members of the society would owe \$1,297.71; and this, in view of the fact that nothing whatever has been paid to any policyholders under their certificates of insurance. This society comprising its two hundred and sixty-eight members, owes the sum of \$1,297.71, while the money paid in by the policyholders for beneficiary purposes has been dissipated as outlined above, and as will be more fully explained later in this report.

History of Society and Method of Transacting Business

1. It is pertinent in reviewing the history of this society to call attention to the provisions of section two hundred and thirty-three of the Insurance Law, which in defining the test as to what

might be termed a mutual benefit fraternity, provides that the members are "proposed, elected and initiated in subordinate lodges or councils, or other bodies, by whatever name known, according to the constitution, laws, rules, regulations, rights and ceremonies of such societies, orders or associations."

This society up to the date when its final certificate of authority to transact business was issued, was permitted to obtain members or applicants without such members being "proposed, elected and initiated." Since June 9, 1909, this society has been a "going" corporation, and according to the evidence as presented to your examiner, no attempt has been made to comply with the above provision of law as will be hereinafter set forth.

2. The scheme adopted by the organizers in obtaining the two hundred members, necessary to organize such a society, was by correspondence from the home office with practicing physicians throughout the United States, and making to each of them a proposal that if they would apply for membership and pay the 1 per cent. or \$20, of the amount of insurance as required by statute, which in each case was \$2,000, and an additional payment of \$5, a promise or agreement was made that such physician would be appointed medical director in his locality when the society would be established.

It was mutually understood under this proposal and application, that a local lodge or so-called city court would be established in each locality within six calendar months from the date of the issuance of a "certificate of deposit and agreement for refund" more particularly described as follows: This instrument, copy of which is annexed hereto, marked "Exhibit A," certified that the applicant has paid in the sum of \$25 to apply on his application to beneficiary membership as one of the two hundred original subscribing members as required by section two hundred and thirty of Article VII of chapter six hundred and ninety of the Insurance Laws of 1892 of the State of New York, and for his appointment as city court esculapius.

The National Surety Company under a bond, schedule No. 411,274, guaranteed that the work of organizing shall be instituted in a manner satisfactory to the original member in his territory, within six calendar months from the date of this certificate, or the order will refund the amount deposited to the original

member for his appointment, "provided that the demand for refund was made in writing before December 1, 1909." It will be noticed from the terms of this agreement that the refund applied only to the \$5 deposit for appointment as medical director and not to the \$20 paid for "beneficiary membership." It seems clear by this certificate and guarantee that the member by paying \$20 was led to believe that he obtained all the benefits covered by the certificate of insurance issued to "Original Members" during the first year of his membership.

3. Certificate of Membership. These certificates were issued to the two hundred original members when the organization was perfected and a final certificate of authority had been issued by the Superintendent of Insurance. Attached to this report as "Exhibit B" is a copy of this certificate. This exhibit shows that the holder "having subscribed in writing to become a beneficiary member of the Knights of Modern Chivalry, as one of the two hundred original members in the sum of two thousand dollars, and having paid in one full advance assessment, the member in the event of death or sustaining injuries, shall be paid a sum not to exceed two thousand dollars." The certificate further states that it "shall be incontestable from date of issue, except as to fraud. No special assessment shall be levied hereunder."

The chief justice, Mr. Norman N. Hicks, denies that the society incurs any liability under this certificate during the first year of the membership of the holder and so informed your examiner in a manner that admitted of no doubt as to the attitude which would be assumed by the officers of the society upon the presentation of any claim arising under this certificate.

If the contention of the officers was to be upheld, then the society, at the date of organization, was not entitled to a license to do business. The report of the examiners, made on organization, with affidavit of the society's officers attached thereto, showed, as has been before mentioned, that two hundred persons had subscribed in writing to be *insured* in said society, in the aggregate sum of \$400,000.

4. Additional Original Members. Comment has been made that after the certificate of authority was issued by the Superintendent of Insurance, the society was then a going concern, but

notwithstanding that this was so, the officers are engaged in circularizing other physicians throughout the United States, asking them to become applicants as "Three Hundred Additional Original Subscribing Members." No attempt has been made to meet the requirements of the statutes as to the establishment of subordinate lodges. The agreement to be entered into between such additional "Three Hundred Original Subscribing Members" and the society, called a "Certificate of Deposit and Agreement for Refund," is in effect, the same plan adopted before the corporation had a right to transact business. This certificate, attached to this report as "Exhibit C," stipulated that the Farmers' Loan and Trust Company of New York, is the depository for the "Special Fund," consisting of the moneys to be received from the three hundred additional original members. In conjunction with this certificate a bond was issued by the National Surety Company, indemnifying these new members in the event of loss occasioned by embezzlement or larceny of the said trustees of the "Special Fund," "made up of the first full assessment of one per cent." in the event that the "order is not perfected within the term of twelve calendar months from August 2, 1909, and such certificate of insurance issued," and further provides that the agreement becomes operative by reason of the moneys being deposited with "The Farmers' Loan and Trust Company" of New York.

Printed copies of this certificate and agreement were used by the society as advertising matter and placed in the hands of prospective members located in various parts of the United States. As late as November 24, 1909, according to evidence on file in the Insurance Department, this society sent out from the home office the printed matter as above set forth. In addition to the certificate of refund, etc., such printed advertising matter consisted of a statement of the assets and the liabilities of the National Surety Company of New York, and The Farmers' Loan and Trust Company. That the officers of this society were perpetrating a fraud upon the insuring public becomes apparent when consideration is given to a letter received by the society from the Farmers' Loan and Trust Company under date of September 10, 1909, which letter in conclusion, says: "We decline

to act as a depository for the fund indicated." A copy of this letter is attached to this report as "Exhibit D." The attitude of the trust company in declining to act as a depository for the moneys received from the additional original members nullifies the agreement and bond. The society's officers in continuing to disseminate this advertising matter were wilfully and knowingly practicing deception.

Your examiner under even date communicated with one of the officers of the Farmers' Loan and Trust Company, who stated that this letter actually described the position of said trust company; and further, that he deemed the acts of the officers actionable and that the company has informed the society that unless the issuance of such circulars was immediately stopped, the society would be held responsible for any damages resulting thereunder.

On the subject of fraud and deception on the insuring public, your examiner calls attention to the following excerpt from "Exhibit D," annexed hereto, regarding the benefits under the certificate of issuance to be issued to the additional original members:

"During the first year the entire cost to you will be twenty-five dollars (\$25); in return we will give you a certificate of insurance of two thousand dollars (\$2,000) covering you in the event of death, disability or sickness. *After the first year* if you decide not to carry any insurance with us it will be optional with you. Your appointment will continue just the same and you will be entitled to all the rights, privileges, and benefits of the same. . . ."

The attention of the chief justice, Mr. Hicks, being called to the matter above quoted from the circular letters now being issued, he stated to your examiner that said quotation was not a correct statement of the facts. In this connection your examiner finds that complaint has been received in this department on November 22, 1909, from the attorney for a certificate holder who met with an accident and notified the society. His letter was not answered. Subsequently he addressed one Seneca Wolford, supreme organizer, by registered mail, and a return card was received showing the receipt of said claim, but nothing further was heard from the society. This department on receipt of this complaint, wrote Chief Justice Hicks on November 22,

1909, and under date of December 3, following, Mr. Hicks replied to department's inquiry that "the doctor is not entitled to benefits until one year from the date of his membership certificate."

5. Concerning Salaries and Profits. Section two hundred and thirty-nine of the Insurance Law applicable to the affairs of this society, defines the difference between a mutual benefit fraternity and a "corporation, society or association carrying on the business of life, health, casualty or accident insurance for profit or gain," and states that the provisions of Article VII do not apply to the kind of a corporation doing business for "profit and gain."

Your attention is called to the fact that an agreement made under date of November 27, 1908, between Norman N. Hicks and the "Supreme Court Knights of Modern Chivalry," provided that said Hicks for organization services and for "promoting" should receive the sum of \$150 per month and all expenses until the said order "shall have been perfected." Further, your attention is called to minutes of a meeting of the "Supreme Court Knights of Modern Chivalry" held August 4, 1909, at which the following resolution was adopted:

"Be it resolved that the salary of the chief justice shall be \$150 per month; supreme record keeper, \$150; supreme banker, \$100 per month; supreme organizer, \$100 per month. Carried unanimously."

This society is authorized to pay benefits to its members in case of "sickness, disability or death." Under the agreement made with the "additional original members" a medical director, who becomes a member in consideration of "guarding the interests of the order, in making examinations and reports pertaining to his official duties," shall be paid "annually out of the surplus earnings of the order after the second year of this appointment an amount not to exceed the sum of Two Hundred dollars (\$200) in any one year." This seems to be a violation of the statute and its articles of incorporation. Furthermore, from the amounts of the salaries paid to the officers, especially considering that even at this time it has but two hundred and sixty-eight members, it seems clear that the primary purpose of organizing

was not to provide fraternal benefits for the members but as a means of profit or gain to the organizers and officers.

6. Constitution and General Laws. This instrument was adopted by the "Supreme Court" August 4 and 5, 1909. Article IV, section three, defines the duties of the chief justice relative to the issuance of checks and provides that the same shall be "countersigned by the supreme record keeper and the supreme banker." In the same article it is provided that the supreme record keeper shall "receive all moneys due the order and deposit the same daily to the credit of the Society." Coincident with the adoption of the constitution and by-laws containing the above provision, viz., August 4, 1909, the "Supreme Court" adopted the following resolution, to-wit:

"Be it resolved that there shall be set aside a fund of Five Hundred Dollars (\$500) to be deposited in bank or trust company in the name of the Knights of Modern Chivalry to be disbursed by the Chief Justice upon his check for such legal authorized expenses incident to the order as has or may hereafter be authorized by the order, said fund to be reimbursed from time to time when it shall fall below Two Hundred Dollars (\$200). Carried unanimously."

It is clear that the effect of this resolution was to nullify the provisions of the by-laws regarding the disbursements of moneys. The obvious purpose of this amendment seems to have been to place in the hands of one officer, who was the promoter of this society, control over all funds.

As a matter of fact the chief justice informed your examiner that all funds received by the society were deposited by him and were subject to his check and that no other officers since the organization has had anything whatever to do with the deposits or withdrawals of funds. As to the impropriety of the passage of this resolution, and its effect, comment is unnecessary.

7. Misleading Statements of Officers.—As stated in this report, the society did not have in its office records of its financial transactions. When your examiner inquired of the chief justice, Mr. Hicks, as to where the funds of the association were deposited, that officer stated that the association has on deposit in four banks and trust companies approximately \$3,000. Your examiner then made inquiry of the banks given as depositories and from the

certificates furnished by the various banks, the deposits as of December 15, 1909, standing to the credit of this society were as follows:

Union Trust Company.....	Nothing
First National Bank, Albany.....	\$107 56
Citizens' Trust Co., Schenectady.....	Nothing
Schenectady Trust Co., Schenectady.....	1 75
Total	<u>\$109 31</u>

Attention is especially called to the fact that Mr. Hicks informed your examiner that the deposit in the Schenectady Trust Company as of December 15th was between \$2,000 and \$3,000. After your examiner had obtained the true balances from the banks as above shown, he again asked Mr. Hicks as to the amount which the society had on deposit in these or any banks. Mr. Hicks then stated that the society had on deposit to its credit at least \$2,000. On being informed as to what balances actually existed, he replied: "That's funny." These statements and acts show that Mr. Hicks either intended wilfully and knowingly to deceive your examiner or that the interests of the certificate holders are not, to say the least, being protected, and that the officers are properly chargeable with neglect of their trust.

After leaving the home office of the society on December 18th and having been unable with the assistance of the chief justice, Mr. Hicks, to have made a satisfactory balance of the books of the society, your examiner was informed by Mr. Hicks that the affairs of this society were involved with those of the "Pennsylvania State Court Knights of Modern Chivalry," a separate entity organized under the laws of Pennsylvania. Mr. Hicks stated that this latter society had written a "large amount" of the business which appeared on the books of the New York society and intermingled therewith.

Between December 18th and December 20th, the officers of the society made a separation of the two hundred and ninety members who appeared on the record book first shown to your examiner as representing the membership of the society, such separation giving the New York corporation two hundred sixty-eight members, the remaining twenty-two being declared members of the Pennsylvania corporation. Mr. Hicks refused to show your ex-

aminer the original Pennsylvania applications or to furnish any records or data by means of which the accuracy of such a separation could be determined. Attached to this report as "Exhibit E" is an affidavit of Mr. Hicks relative to this matter.

Inquiry made of the Pennsylvania Insurance Department shows that about four months ago the "Pennsylvania State Court Knights of Modern Chivalry" effected an incorporation in the State of Pennsylvania, and further that blanks sent by the Insurance Commissioner of that State to the office designated as the principal office of the Pennsylvania society were returned by the postmaster, and the Insurance Commissioner through his deputy advised that it was plainly evident that no business had been written by the Pennsylvania corporation.

GENERAL SUMMARY

There can be deduced from what your examiner has hereinbefore stated, the following:

1. That the society is insolvent in that on the date of this examination its liabilities exceed its assets.

2. That the affairs of the society have been grossly mismanaged and it would appear that the moneys paid in by members for the purpose of obtaining insurance benefits have been improperly used, and that as shown in the financial statement the excess of liabilities over assets on December 15, 1909, was \$1,297.71.

3. That the society is not performing its corporate functions as required by its charter and the Insurance Law, in that it continues to pose as a corporation in process of organization and has not acquired members through the establishment of subordinate lodges.

4. That the scheme of obtaining members through a "certificate of deposit and agreement for refund" was calculated to mislead and deceive when consideration is given to the fact that its provisions were not carried out by the society, making such agreement ineffective.

5. That the society has not fulfilled its agreement made with its original two hundred members as appears from records on file in the Insurance Department, inasmuch as subordinate lodges have not yet been established. When protest has been made the officers reply by sending to the complainant a copy of "Special

Laws " adopted by the Supreme Court modifying and varying the terms of the original agreement.

6. That the officers of the society refuse to recognize any liability under the certificates issued to members until one year after the date of issue, notwithstanding the fact that the members are solicited by circulars and letters stating that the insurance benefit becomes immediate on the payment of twenty dollars and the additional five dollars for appointment as medical director. Interpretation as made by the officers of the society shows fraud is being attempted. The Department construes this contract to fix an immediate liability thereunder.

7. That the society is violating the Insurance Laws relating to the organization and operation of this class of societies inasmuch as it was organized primarily as a means of profit or gain to the organizers and promoters as appears from the excessive salaries and expenses which consumed all moneys paid in by members since organization and a deficit appearing as of the date of this examination.

8. That the Society is discriminating between members. It agrees to make those members who become medical directors sharers in the "surplus earnings of the order after the second year of appointment as medical examiners in an amount not to exceed the sum of two hundred dollars in any one year," and furthermore it can only make agreement with its "members" to pay benefits in case of "sickness, disability or death;" so that the society attempts to do what cannot lawfully be done under the Insurance Laws.

9. That the officers of the society have no appreciation of the responsibilities of trust imposed upon them in that the provisions of the constitution and general laws drawn to guard against misfeasance of any one officer were modified in a separate resolution passed at the same meeting when the constitution and by-laws were adopted. And further that no modification of such resolution has been sent to the members, and it seems from this procedure that it was the intention of the officers that the members should not have knowledge of this most important modification.

Respectfully submitted,

JOHN L. TRAIN,

Assistant Examiner.

STATE OF NEW YORK }
CITY AND COUNTY OF ALBANY } ss.:

John L. Train being duly sworn deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

JOHN L. TRAIN.

Subscribed and sworn to before me this

21st day of December, 1909.

Thomas F. Behan,

[L. s.] Notary Public, Albany Co.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, February 24, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

Sir.—Acting under appointment No. 2330, dated January 31, 1910, and annexed hereto, we have completed the examination of the Buffalo German Insurance Company of Buffalo, New York.

This examination was made for the purpose of verifying the financial condition of the company as shown by its annual statement filed with the insurance department for the year ending December 31, 1909, on a proposed increase of "Guaranty Surplus" and "Special Reserve" funds.

We find the financial condition on December 31, 1909, to have been as follows:

LEDGER ASSETS	
Book value of real estate.....	\$352,048 85
Mortgage loans	377,700 00
Collateral loans (exhibit "A").....	14,000 00
Book value of bonds (exhibit "B").....	1,384,521 76
Cash in office.....	778 16
Deposits in banks and trust companies (on interest)	230,528 08
Agents' balances subsequent to October 1, 1909.	78,145 64
Agents' balances prior to October 1, 1909.....	769 98

Total ledger assets..... \$2,438,492 47

NON-LEDGER ASSETS

Interest accrued on mortgages	\$2,139 27
Interest accrued on bonds	7,031 35
Interest accrued on collateral bonds	75 00
Rents due	187 50
Market value of bonds over book value.....	2,839 95
Gross assets	\$2,451,665 54

Deduct assets not admitted

Agents' balances prior to October 1, 1909.....	769 98
Total admitted assets.....	\$2,450,895 56

LIABILITIES

Unpaid losses	\$31,384 15
Unearned premiums (one year).....	\$170,619 40
Unearned premiums (term).....	425,982 82
Total unearned premiums.....	596,602 22
Taxes due and accrued.....	10,000 00
Reserve for contingencies.....	40,000 00
Total liabilities except capital.....	\$877,986 37
Capital	\$200,000 00
Surplus*	1,572,909 19
Surplus as regards policyholders.....	1,772,909 19
Total liabilities	\$2,450,895 56

The income and disbursements from January 1, 1909, to December 31, 1909, were as follows:

Balance December 31, 1908 (per company's records)..... \$2,342,560 74

INCOME

Total premiums	\$601,264 59
Interest on mortgage loans.....	19,165 83
Interest on collateral loans.....	625 00
Interest on bonds.....	51,842 16
Interest on bank deposits.....	4,589 26
Rents	30,414 16
Agents' balances previously charged off.....	36 49
Profit on sale of bonds.....	494 29
Total income	708,431 83
	\$3,050,992 57

* This item includes a "guaranty surplus fund" of \$200,000 and a "special reserve fund" of \$200,000.

DISBURSEMENTS

Losses	\$256,027 06
Expenses of adjustment	4,498 78
Commissions	157,745 98
Salaries of agents	13,845 61
Salaries of officers, employees, etc.	36,546 13
Rent	4,000 00
Advertising, printing and stationery	4,285 73
Postage, etc.	4,018 82
Legal expense	1,061 18
Furniture and fixtures	282 95
Maps	2,407 60
Underwriters' boards	4,026 13
Fire departments, etc.	5,079 55
Inspections	2,002 22
Repairs on real estate	7,474 70
Taxes on real estate	10,608 56
State taxes	8,961 98
Insurance Department licenses and fees	1,770 75
City licenses and fees	2,188 91
Sundries	1,290 49
Dividends	60,000 00
Agents' balances charged off	532 68
Loss on sale of real estate	151 54
Loss on sale of bonds	8,745 00
Decrease, by adjustment of book value of bonds.	14,848 75
<hr/>	
Total disbursements	\$612,500 10
<hr/>	
Balance (ledger assets, December 31, 1909)	\$2,438,492 47
<hr/>	

Attached to this report as Exhibits "A" and "B" are schedules of collateral loans and bonds owned on December 31, 1909.

The financial statement differs from that filed by the company for the year ending December 31, 1909, in the following particulars:

Market value of bonds increased over book value in the sum of \$2,839.95 and the unpaid losses decreased in the sum of \$765, making a total increase in the company's surplus of \$3,604.95.

The salaries of officers authorized for the year 1910 are as follows:

	Per annum
President, John G. Wickser	\$6,000
Secretary, Chas. W. Goerger	4,000
Asst. Treasurer, F. C. Haupt	2,500
1st Vice-President, Edwin B. Eggert	3,500
Ex-officio, O. J. Eggert	1,500

At a meeting of the board of directors held on January 11, 1910, the following resolution was unanimously adopted:

"Resolved, That the Board of Directors of the Buffalo German Insurance Company desire and intend, and do hereby approve and re-enact the declaration of such desire and intention heretofore by resolution duly expressed, to create and establish a guaranty surplus fund and a special reserve fund as provided in and by sections 130, 131 and 132 of the Insurance Law of the State of New York, and to do and to transact the business of said company pursuant to said sections and do hereby extend, enlarge and increase each of said funds from the profits of said company earned since the said funds were originally created and established, from the present amount of two hundred thousand to the amount of three hundred thousand dollars, and do hereby determine to continue to do and transact the business of said company pursuant to the sections aforesaid.

"That the president and the secretary of the company be and they hereby are directed to deposit securities representing the said one hundred thousand dollars set aside for the special reserve fund with the Superintendent of Insurance and obtain the certificate of the said superintendent that the requirements of section 130 of the Insurance Law have been complied with."

It is apparent that the financial condition of this company is such that the "Special Reserve" and "Guaranty Surplus" funds may be increased as provided in sections 130, 131 and 132 of the insurance law.

Respectfully yours,

RICHARD A. ELMER

W. H. NANGLE

Assistant Examiners

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

Richard A. Elmer and W. H. Nangle being duly sworn depose and say that the foregoing report subscribed by them is true to the best of their knowledge and belief.

Subscribed and sworn to before me } RICHARD A. ELMER
on the 24th day of February, 1910. } W. H. NANGLE

KATE F. CAHILL,

[L. S.]

Notary Public New York county

EXHIBIT A
Collateral Loans, December 31, 1909

DESCRIPTION	Par Value	Market Value	Amount Loaned	Date	Rate of Interest
10 shs. Am. Smltg. & Ref. Co.....	\$1,000 00	\$1,020 00			
50 shs. West. Union Tel. Co.....	5,000 00	3,650 00			
10 shs. Union Pac. R. R. Co.....	1,000 00	2,030 00			
1 bond, Del. & Hudson Co., 4% due June 15, 1916.....	1,000 00	1,000 00			
1 bond, Chic. R. Is. & Pac. R. R. Co., 4%, due May 1, 2002.....	1,000 00	810 00	\$6,000 00	10-23-7	Call-5
1 bond, Toledo Gas Elec. Heating Co., 3%, due October 1, 1935.....	1,000 00	650 00			
25 shs. 3rd Nat. Bank, Buffalo.....	2,500 00	2,500 00			
10 shs. Ger. Am. Bank, Buffalo.....	1,000 00	2,000 00	3,000 00	6-10-8	Call-5
10 bonds, Chic. R. Is. & Pac. R. R., 4%, due April 1, 1934	10,000 00	9,100 00	5,000 00	10-1-8	Call-5
Totals.....	\$23,500 00	\$22,760 00	\$14,000 00		

{ Chas. M. Clark
Sarah M. Clark

Loran L. Lewis
Jacob Dold

EXHIBIT B

Schedule of Bonds

Description	Par value	Market value
City of Buffalo 3½s 1910.....	\$3,333 33	\$3,333 33
City of Buffalo 3½s 1911.....	3,750 00	3,750 00
City of Buffalo 3½s 1911.....	3,333 33	3,333 33
City of Buffalo 4s 1911.....	5,000 00	5,000 00
City of Buffalo 3½s 1912.....	13,333 33	13,200 00
City of Buffalo 3½s 1912.....	58,250 00	57,667 50
City of Buffalo 3½s 1912.....	3,750 00	33,712 50
City of Buffalo 3½s 1912.....	50,000 00	49,500 00
City of Buffalo 4s 1912.....	5,000 00	5,000 00
City of Buffalo 3½s 1913.....	13,333 33	13,200 00
City of Buffalo 3½s 1913.....	8,250 00	8,167 50
City of Buffalo 3½s 1913.....	3,750 00	3,712 50
City of Buffalo 3½s 1913.....	60,000 00	59,400 00
City of Buffalo 4s 1913.....	5,000 00	5,050 00
City of Buffalo 3½s 1914.....	13,333 33	13,200 00
City of Buffalo 3½s 1914.....	8,250 00	8,167 50
City of Buffalo 3½s 1914.....	3,750 00	3,712 50
City of Buffalo 3½s 1915.....	13,333 33	13,066 67
City of Buffalo 3½s 1915.....	85,250 00	83,545 00
City of Buffalo 3½s 1915.....	3,750 00	3,675 00
City of Buffalo 3½s 1916.....	3,333 33	3,266 67
City of Buffalo 3½s 1916.....	8,250 00	8,085 00
City of Buffalo 3½s 1916.....	3,750 00	3,675 00
City of Buffalo 3½s 1917.....	3,333 33	3,266 67
City of Buffalo 3½s 1917.....	8,250 00	8,085 00
City of Buffalo 3½s 1917.....	3,750 00	3,675 00
City of Buffalo 3½s 1918.....	3,333 33	3,266 67
City of Buffalo 3½s 1918.....	8,250 00	8,085 00
City of Buffalo 3½s 1918.....	3,750 00	3,675 00
City of Buffalo 3½s 1919.....	3,333 33	3,266 67
City of Buffalo 3½s 1919.....	8,250 00	8,085 00
City of Buffalo 3½s 1919.....	3,750 00	3,675 00
City of Buffalo 3½s 1920.....	3,333 33	3,233 34
City of Buffalo 3½s 1920.....	8,250 00	8,002 50
City of Buffalo 3½s 1920.....	3,750 00	3,637 50
City of Buffalo 3½s 1921.....	3,333 33	3,233 34
City of Buffalo 3½s 1921.....	8,250 00	8,002 50
City of Buffalo 3½s 1921.....	3,750 00	3,637 50
City of Buffalo 3½s 1922.....	3,333 33	3,233 34
City of Buffalo 3½s 1922.....	3,750 00	3,637 50
City of Buffalo 3½s 1922.....	3,750 00	3,637 50
City of Buffalo 3½s 1923.....	3,333 33	3,233 34
City of Buffalo 3½s 1924.....	3,333 33	3,233 34
City of Buffalo 4s 1924.....	5,000 00	5,100 00
City of Buffalo 3½s 1925.....	3,333 33	3,200 00
City of Buffalo 4s 1925.....	5,000 00	5,100 00

Description	Par value	Market value
City of Buffalo 3½s 1926.....	\$3,333 34	\$3,200 00
City of Buffalo 4s 1926.....	9,000 00	9,180 00
City of Buffalo 4s 1926.....	5,000 00	5,100 00
City of Buffalo 3½s 1927.....	3,333 34	3,200 00
City of Buffalo 4s 1927.....	5,000 00	5,100 00
City of Buffalo 3½s 1928.....	3,333 34	3,200 00
City of Buffalo 4s 1928.....	36,000 00	36,720 00
City of Buffalo 4s 1928.....	5,000 00	5,100 00
City of Buffalo 4s 1928.....	150,000 00	153,000 00
City of Buffalo 3½s 1929.....	3,333 33	3,200 00
City of Buffalo 4s 1929.....	100,000 00	103,000 00
City of New York 3½s 1916.....	60,000 00	58,200 00
City of New York 3½s 1928.....	25,000 00	23,500 00
City of New York 3½s 1929.....	40,000 00	37,200 00
City of New York 3½s 1952.....	30,000 00	27,000 00
City of New York 3½s 1952.....	5,000 00	4,500 00
City of New York 3½s 1954.....	218,000 00	196,200 00
County of Erie, State of New York 4s 1928...	14,000 00	14,280 00
County of Erie, State of New York 4s 1927...	14,000 00	14,280 00
County of Erie, State of New York 4s 1928...	14,000 00	14,280 00
County of Westchester, State of New York 4s 1937	20,000 00	20,400 00
County of Westchester, State of New York 4s 1938	20,000 00	20,400 00
Chic., Mil. St. Paul Ry. Co. (Pac. Div.) 5s 1921	25,000 00	27,250 00
Chic., Mil. St. Paul Ry. Co. (Wis. & Min. Div.) 5s 1921	25,000 00	27,250 00
Chic., Burl'n & Quincy Ry. Co. 4s 1927.....	30,000 00	30,000 00
Del. & Hudson Co. 4s 1943.....	40,000 00	40,000 00
Lake Shore & Mich. Southern Ry. Co. 3½s 1997	25,000 00	23,000 00
Totals	<u>\$1,414,916 68</u>	<u>\$1,387,361 71</u>

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY
NEW YORK

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Whereas, We, the undersigned, two disinterested persons specially appointed for the purpose by the Superintendent

of Insurance, having, in pursuance of such appointment hereto annexed, bearing date February 28, 1910, duly made an examination of the assets of the Fidelity-Phenix Insurance Company of New York, a domestic fire insurance company created by the merger of the Fidelity Fire Insurance Company of New York and the Phenix Insurance Company of Brooklyn, New York:

Now, Therefore, We do hereby certify and report under oath, that said examination shows said company on date of this report to be in possession of total assets amounting to at least the sum of \$13,806,165.12 invested as particularly set forth in Schedule "A," hereto annexed, and as further evidenced by the annexed certificate of the officers of the two corporations so merged.

In Witness Whereof, We have hereunto subscribed our names this 1st day of March, A. D. 1910.

DANIEL F. GORDON

ISAAC FULD

Commissioners

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } *ss.:*

On this 1st day of March, A. D. 1910, before me came Daniel F. Gordon and Isaac Fuld, the Commissioners above named, who being by me duly sworn, did depose and say, and each for himself deposeth and saith, that he has no interest in the said Fidelity-Phenix Fire Insurance Company of New York, and that the foregoing certificate, by them subscribed, is true.

DANIEL F. GORDON

ISAAC FULD

Subscribed and sworn to before me
this 1st day of March, 1910.

[L. S.] KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK
COUNTY OF NEW YORK } *ss.:*

Henry Evans, Hugh Rankin, E. W. T. Gray and David Rumsey, being each duly sworn, depose and say, and each for himself deposes and says, that the said Henry Evans was the president and the said Hugh Rankin was the secretary of the

Fidelity Fire Insurance Company of New York and the said E. W. T. Gray was the president and the said David Rumsey was the secretary of the Phenix Insurance Company of Brooklyn, New York, which two corporations have merged into one corporation in accordance with the provisions of section 129 of the Insurance Law, under the name of the Fidelity-Phenix Fire Insurance Company of New York. Said deponents further severally depose and say that they are all at date of this certificate officers of the said Fidelity-Phenix Fire Insurance Company.

Said officers do hereby severally certify and declare under oath, that the assets exhibited by them as belonging to the said Fidelity-Phenix Fire Insurance Company on the first day of March, 1910, to Daniel F. Gordon and Isaac Fuld, the commissioners appointed by the Superintendent of Insurance, to examine such assets, are bona fide the property of said company and are now possessed by it, in its corporate name and capacity, or in the corporate name and capacity of either of said two merged corporations, either in money or in such stocks, bonds and mortgages and other investments as are required and allowed by the provisions of the Insurance Law passed February 17, 1909 (chapter 33, Laws 1909), as is particularly set forth in Schedule "A," hereto annexed, and that no part of said assets has been withdrawn or pledged and that no part or portion thereof has been loaned or advanced by any person, partnership or corporation, for the purpose of being used as such assets on the merger of said two corporations.

And the said deponents further severally depose and say, according to the best of their respective knowledge, information and belief, that there is no intention or design existing on the part of any person or persons whomsoever to withdraw any part or portion of the said assets until the same is wanted for investment or to be otherwise legitimately used or appropriated to and for the sole and exclusive use and benefit of the said Fidelity-Phenix Fire Insurance Company in its corporate capacity, in strict conformity with the statute in such case made and provided; and, further, that the said company is not nor are any of its officers in any way, manner or form pledged or committed to make any investment, loan or disposition of the said assets or any part or portion thereof which is not in strict conformity

in all respects with the provisions of said Insurance Law of the State of New York, passed February 17, 1909 (chapter 33, Laws of 1909).

Said deponents further depose and say that the capital stock of the Fidelity-Phenix Fire Insurance Company of New York is the sum of two million five hundred thousand (\$2,500,000) dollars divided into twenty-five thousand (25,000) shares of a par value of one hundred (\$100) dollars each.

Said deponents further depose and say that all the provisions of section 129 of the Insurance Law looking to the merger of the Fidelity Fire Insurance Company of New York and the Phenix Insurance Company of Brooklyn, New York, as the Fidelity-Phenix Fire Insurance Company of New York required of the officers, directors and stockholders of said two corporations have been fully complied with.

[L. s.]

HENRY EVANS
HUGH RANKIN
E. W. T. GRAY
DAVID RUMSEY

Subscribed and sworn to before me
this 1st day of March, 1910.

[L. s.]

ERNEST STURM

Notary Public, Kings County, New York

Certificate filed in New York County, N. Y.

SCHEDULE A

*Containing a List of the Assets Owned by the Fidelity-Phenix
Fire Insurance Company of New York on the 1st day of
March, 1910*

Real estate		\$74,500 00
Bond and mortgage loans		544,500 00
Bonds and Stocks:	Par Value	Market Value
District of Columbia reg 3.65s		
1924	\$175,000	\$185,500 00
State of Georgia reg 3½s		
1917	10,000	10,000 00
Ter of New Mexico 4s 1939	10,000	10,200 00
State of Virginia reg 3s 1932	53,000	48,760 00
State of Virginia reg 3s 1991	100,000	91,000 00

Bonds and Stocks:	Par Value	Market Value
City of New York gold reg		
4s 1936	\$200,000	\$200,000 00
City of New York dock reg		
3s 1919	100,000	92,000 00
City of New York dock reg		
3s 1923	165,000	148,500 00
City of New York, revenue		
reg 3½s 1910	900,000	900,000 00
Richmond Va reg 4s 1926..	20,000	20,200 00
Richmond Va reg 4s 1927..	1,000	1,010 00
Toronto Can (£11,500) coup		
3½s 1929	55,959	52,041 87
Toronto Can coup 3½s 1913	50,000	49,000 00
Toronto Can (£5,000) coup		
3½s 1944	24,333	22,143 03
Atch Top & S F Ry conv 4s		
1955	12,000	13,965 00
Chi Bur & Quincy gen mtg		
4s 1958	30,000	29,737 50
D & H Co conv gold deb 4s		
1916	25,000	25,000 00
Denver Gas & Electric Co		
coup 5s 1949	25,000	23,500 00
Lebanon Gas & Fuel Co		
coup 5s 1956	38,000	28,500 00
Lincoln Gas & Electric Light		
Co coup 5s 1941	135,000	108,000 00
Columbus & Hocking Coal &		
Iron coll 6s 1956	15,000	7,425 00
Erie & Pittsburgh (guar. by		
Penna R R) 500 shares . . .	25,000	37,500 00
Manhattan Ry Co guar by		
Interborough R T Co 1000		
shares	100,000	136,000 00
B & O R R Co pref 1,000		
shares	100,000	92,000 00
Buffalo & Susquehanna pref		
2,000 shares	100,000	26,000 00
Chicago St Paul Minn &		
Omaha Ry pref 1,000		
shares	100,000	165,000 00
Chicago St Paul Minn &		
Omaha Ry Co common		
1,200 shares	120,000	192,000 00
Great Northern Ry pref		
3,200 shares	320,000	438,400 00
Hocking Valley Ry Co pref		
500 shares	50,000	45,000 00
Hocking Valley Ry Co com-		
mon, 300 shares	30,000	33,000 00

Bonds and Stocks:	Par Value	Market Value
Reading Company 1st pref 1,000 shares	\$50,000	\$45,000 00
Atlantic Coast Line R. R. Co common 300 shares	30,000	39,150 00
Central R R Co of N J com 2,900 shares	290,000	841,000 00
Chicago & Northwestern Ry Co com 6,987½ shares	698,750	1,090,050 00
D & H Co com 1,400 shares	140,000	245,000 00
D L & W R R Co com 5,750 shares	287,500	1,896,250 00
Lehigh Valley R R Co com- mon 5,300 shares	265,000	551,200 00
Mich Central R R Co com 300 shares	30,000	48,000 00
Nashville Chattanooga & St Louis Ry Co common 500 shares	50,000	67,500 00
Northern Pacific Ry Co com 2,000 shares	200,000	272,000 00
Pittsburgh & Lake R R Co com 140 shares	7,000	21,000 00
Union Pacific R R Co com 1,400 shares	140,000	233,200 00
Central Trust Co N. Y. 60 shares	6,000	61,500 00
First National Bank of N. Y. 300 shares	30,000	270,000 00
National Bank of Commerce N. Y. 317 shares	31,700	61,815 00
National Park Bank N. Y. 300 shares	30,000	143,250 00
Brooklyn Bank, Brooklyn N. Y. 200 shares	10,000	13,800 00
National City Bank Brook- lyn N. Y. 600 shares	30,000	90,000 00
American Light & Traction Co com 760 shares	76,000	219,640 00
American Light & Traction Co pref 376 shares	37,600	39,668 00
Consolidated Gas Co N. Y. 1,000 shares	100,000	145,000 00
D L & W Coal Co 1,250 shares	62,500	148,750 00
N. Y. Mutual Gas Light Co 500 shares	50,000	73,750 00
Louisville & Nashville R R Co com 500 shares (sold but not delivered)	50,000	75,952 50

Bonds and Stocks: 731	Par Value.	Market Value.
Northern Pacific Ry Co com 300 shares (sold but not delivered)	\$30,000	\$40,531 50
Union Pacific R R Co com 3,600 shares (sold but not delivered)	360,000	675,028 00
<hr/>		
Total par and market values	\$6,181,342	\$10,469,417 40
Cash in office		2,156 92
Cash in banks and trust companies		1,465,473 12
Agency balances (within three months)		907,374 59
Bills receivable (taken for premiums)		164,036 35
Due for reinsurance on losses paid		5,267 95
Interest and rent due and accrued		29,039 73
Estimated value of securities assigned to company by H. C. Stockdell		20,000 00
Estimated interest in two policies on life of George P. Sheldon, assigned to company		10,500 00
Estimated value of additional securities not listed above (Council Bluffs City Water Works Company bonds and Lincoln Gas and Electric Light Company stock)		112,400 00
<hr/>		
Total		\$13,806,165 12
		<hr/>

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *March* 12, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under appointment No. 2244, dated September 17, 1909, and annexed hereto, we have completed an examination of the Williamsburgh City Fire Insurance Company, of New York.

In view of the fact that this company was examined in detail in November, 1908, and the present examination was only rendered necessary to comply with the provisions of section fifty-two

of the Insurance Law in regard to amendments of charter, we have therefore simply verified the financial exhibit included in the annual statement submitted by the company to the department for the year ending December 31, 1909.

With an alteration explained below, this statement is as follows:

Ledger Assets

Book value of real estate.....	\$90,000 00
Mortgage loans on real estate.....	408,100 00
Book value of bonds and stock (Exhibit A).....	1,636,796 76
Cash in office.....	3,008 51
Deposits in banks and trust companies.....	358,694 20
Agents' balances subsequent to October 1, 1909.....	299,034 05
Agents' balances prior to October 1, 1909.....	2,043 19
Bills receivable	6,403 86
Total ledger assets.....	\$2,798,080 57

Non-ledger Assets

Interest accrued on mortgages	\$2,500 20
Interest accrued on bonds	10,208 61
Interest accrued on other assets	3,162 69
Total	15,871 50
Due for reinsurance.....	4,179 06
Gross assets	\$2,818,131 13

Deduct Assets Not Admitted

Agents' balances prior to October 1, 1909.....	\$2,043 19
Book value of ledger assets over market value.....	29,021 76
	31,064 95
Total admitted assets.....	\$2,787,066 18

Liabilities

Unpaid losses.....	\$190,391 11
Unearned premiums, 1 year.....	517,558 27
Unearned premiums, term.....	1,021,005 84
Salaries, expenses, etc. due and accrued.....	2,036 69
Taxes due and accrued.....	18,546 08
Return premiums and reinsurance.....	10,367 55
Total liabilities except capital.....	\$1,759,905 54

Capital	\$250,000 00
Surplus	777,160 64*
<hr/>	
Surplus as regards policyholders.....	\$1,027,160 64
<hr/>	
Total liabilities	\$2,787,066 18
<hr/> <hr/>	

The foregoing financial statement is the same as that filed by the company for the year ending December 31, 1909, with the exception of the unpaid losses. This item we have increased in the sum of \$13,361.41, by using subsequent information and thereby reducing the surplus in a like amount.

The officers and their salaries are as follows:

President, Marshall S. Driggs.....	\$20,000 00 per annum
Secretary, Frederick H. Way.....	9,500 00 " "
Asst. Secretary, B. W. Lyon.....	3,500 00 " "
Asst. Secretary, William H. Brown....	3,000 00 " "

Respectfully submitted,

RICHARD A. ELMER

W. H. NANGLE

Assistant Examiners

STATE OF NEW YORK, }
COUNTY OF NEW YORK. } ss.:

Richard A. Elmer and W. H. Nangle, being duly sworn, depose and say, and each for himself says that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

RICHARD A. ELMER

W. H. NANGLE

Subscribed and sworn to before me,

this 15th day of March, 1910.

KATE F. CAHILL

Notary Public, N. Y. Co.

*This item includes a "guaranty surplus fund" of \$280,000 and a "special reserve fund" of \$280,000.

A schedule of the stocks and bonds owned is attached to this report as Exhibit A.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *March 15, 1910.*

HON. WILLIAM H. HATCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under your appointment No. 3313, dated January 6, 1910, and annexed hereto, we have made an examination of the Preferred Accident Insurance Company of New York, as of December 31, 1909.

The company was incorporated March, 1893, under the second subdivision of section 70 of the Insurance Law, for the purpose of insuring persons "against injury, disablement or death, resulting from traveling or general accidents and every insurance appertaining thereto * * *."

At the time of its incorporation this company assumed under contract all the liabilities, including the policy contracts, of the Preferred Mutual Accident Association, an association transacting, since 1885, casualty insurance upon the co-operative or assessment plan under article VI of the Insurance Law. The above-mentioned contract also provided for the transfer to the stock company of all the assets, including the good will, appertaining to the business of the Mutual Association.

A certificate from the Superintendent of Insurance bearing date of April 5, 1898, authorized the company to transact the business of health insurance provided for in subdivision 1 of section 70 of the Insurance Law, together with the business authorized under the provisions of subdivision 2 of the same section. On December 31, 1909, the financial condition of the company was as follows:

Income, January 1, 1909, to December 31, 1909

Gross premiums unpaid December 31, 1908.....	\$190,658 22
Gross premiums written and renewed during year.....	1,591,194 83
Total	<u>\$1,781,853 05</u>

Deduct:

Reinsurance	\$22,995 06	
Return premiums on policies canceled	7,170 42	
Premiums on policies not taken	211,364 28	
	<hr/>	
Total deductions		\$241,529 76
		<hr/>
Net premiums		\$1,540,323 29
Gross interest on bonds and dividends on stocks, less \$13.89 accrued interest on bonds acquired during 1909	\$63,423 11	
Gross interest on deposits in trust companies and banks	2,373 99	
	<hr/>	
Total gross interest		65,797 10
		<hr/>
Total income		\$1,606,120 39
Ledger assets (as per balance) December 31 of previous year..		1,743,705 97
		<hr/>
Amount carried forward		\$3,349,825 46

Disbursements, January 1, 1909, to December 31, 1909

Gross amount paid for losses:		
Accident		\$420,472 13
Health		71,031 00
		<hr/>
		\$491,503 13
Deduct reinsurance (accident)		13,320 59
		<hr/>
Net amount paid policyholders for losses		\$478,182 54
Investigation and adjustment of claims:		
Accident	\$16,527 08	
Health	2,754 51	
	<hr/>	
		19,281 59
Commission:		
Accident	\$359,021 95	
Health	66,545 98	
	<hr/>	
		425,567 93
Salaries, fees and all other compensation of officers, directors, trustees and home office employees		120,082 46
Salaries, traveling and all other expenses of agents not paid by commissions		40,526 05
Medical examiners' fees and salaries		8,115 23
Inspections (other than medical and claim)		835 00
Rents		13,644 02
State taxes on premiums		21,933 37
Insurance department, licenses and fees		4,098 31
City, county and all other municipal fees		1,392 75

REPORTS ON OFFICIAL EXAMINATIONS

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Legal expenses	\$1,760 23
Advertising	5,904 72
Printing and stationery	8,229 74
Postage	8,262 86
Furniture and fixtures	1,278 05
Dividends	84,000 00
Telegrams, telephone, exchange, car fare and petty office expenses	3,001 01

Total disbursements	<u>\$1,246,097 06</u>
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Balance	<u><u>\$2,103,728 40</u></u>
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Assets

Book value of bonds.....	\$1,473,995 81	
Book value of stocks.....	219,413 43	
		<u>\$1,693,409 34</u>
Cash in company's home office.....	\$871 92	
Cash in company's branch offices.....	887 52	
		<u>1,759 44</u>
Deposited in bank (not on interest).....	50,000 00	
Deposited in bank (on interest).....	66,572 72	
Deposited with Washington Trust Co. (on interest).....	100,000 00	
Premiums in course of collection:		
Written on or after October 1, 1909: Accident, \$124,097.40;		
health, \$25,417.54		149,514 94
Written prior to October 1, 1909: Accident, \$28,503.48;		
health, \$5,838.06		34,341 54
Bills receivable		904 05
Advances to agents		7,226 47
		<u>Total ledger assets</u>
		<u><u>\$2,103,728 40</u></u>

Non-Ledger Assets

Interest due, \$300, and accrued on bonds,		
\$10,579.29	\$10,879 29	
Interest accrued on paving certificates.....	120 55	
		<u>10,999 94</u>
		<u>\$2,114,728 34</u>

Deduct Assets Not Admitted.

Bills receivable	\$904 05	
Premiums written prior to October 1, 1909....	34,341 54	
Advances to agents	7,226 47	
Book value of ledger assets over market value.		
Bonds and stocks	87,350 17	
		<u>129,822 23</u>

Total admitted assets	<u><u>\$1,984,906 01</u></u>
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*Liabilities**Losses and claims:*

Accident	\$133,570 55	
Health	15,258 91	
	<hr/>	
	\$148,829 46	
Deduct reinsurance account	5,000 00	
	<hr/>	\$143,829 46
Premium reserve		603,481 89
Commissions		40,633 36
Salaries, rents, expenses, bills, etc.		10,164 86
State and county taxes (estimated)		22,000 00
Dividends due to stockholders		7,000 00
Reinsurance due other companies (net)		2,758 40
Advance premiums		3,322 00
Present value of annuities issued in settlement of claims		114,666 36
Agents' credit balances		2,043 36
		<hr/>
Total amount of all liabilities except capital		\$949,839 69
Capital	\$350,000 00	
Surplus	685,066 32	
	<hr/>	
Surplus as regards policyholders		1,035,066 32
		<hr/>
Total liabilities		<u><u>\$1,984,906 01</u></u>

*INCOME**Premiums*

Owing to the bookkeeping system in use, certain premium receipts amounting to \$22,666.25, have erroneously been duplicated in the amount of the gross premium income reported in the annual statement. This error has been offset by increasing the amount of the premiums on policies not taken by a corresponding amount. Accordingly \$22,666.25 has been deducted from the gross premiums written and from the premiums on policies not taken, leaving the net premium income for the year the same as reported by the company.

Interest

Included in the item of \$63,423.11 is the sum of \$3,250 represented by coupons for interest on investments not due until January 1, 1910. Said coupons were deposited in the bank, credited in the bank pass-book and entered as income in the cash-book under date of December 31, 1909. Naturally no credit was taken for this amount (\$3,250) as accrued interest.

ASSETS

Bonds and Stocks

The securities were examined and counted with the exception of the New York City bonds, par value \$250,000, which are deposited with the Superintendent of Insurance at Albany.

In valuing its securities the company elected to use the market quotations furnished by the Insurance Department. The aggregate not exceeding the amortized value, this valuation conforms with the provisions of section 18 of the Insurance Law.

A schedule of the bonds and stocks marked Exhibit "A" is annexed to this report.

Cash in Home Office

This item (\$871.92) was verified on January 3, 1910, by an assistant examiner and found to be correct.

Cash in Branch Offices

This item (\$887.52) represents a working fund maintained in three branch offices and is verified by sworn statements made by the cashiers of said branch offices that the money was in their possession at the close of business on December 31, 1909.

Deposits in Trust Companies and Banks

These items amounting to \$216,572.72 were checked with the bank pass-books, cash-book, check-books and ledger and agreed with the bank certificates after being reconciled with the outstanding checks.

Included in the above is the sum of \$100,000 represented by two certificates of the Washington Trust Company of New York of \$50,000 each, bearing dates November 17 and December 29, 1909, respectively. The certificates of deposit read to the effect that the Washington Trust Company will repay one year from date the like amount in current funds with interest at 4 per cent. per annum to the said Preferred Accident Insurance Company of New York or their assigns on the return of the certificates, which are only assignable on the books of the trust company.

Premiums in Course of Collection

The company in its annual statement for the calendar year ending December 31, 1909, reported this item \$149,514.94 written on or after October 1, 1909.

A list of such premiums was submitted and was verified by a complete check of one agent's ledger and test checks of all the other agents' ledgers. The figures were found to be substantially correct. These premiums are net as to commissions with the exception of the business written during the month of December, which is reported gross and the commission on same is charged as a liability.

Accrued Interest

In the annual statement the company reports interest due and accrued on bonds \$10,879.29. During the course of this examination it was noted that the company had scheduled the Bradentown Paving certificates with its stocks and, therefore, failed to include the accrued interest on those securities with its assets.

LIABILITIES

Loss Claims

At the date of this examination the company had discarded the loss or claim-book formerly in use, and had adopted a card system of keeping the records in the claim department.

A schedule of claims pending December 31, 1909, was submitted, together with claim papers, proofs of loss, etc., which were carefully examined, and it is believed that the estimated reserve of \$143,829.46 is ample to provide for the final settlement of such claims. An affidavit was obtained, sworn and subscribed to by the superintendent and assistant superintendent of the claims department, setting forth that the schedule submitted contained all the notices of claims unpaid on December 31, 1909, of which they had knowledge. Said affidavit is filed with the examination papers.

It is obviously necessary that a claim notice-book should be kept by all insurance companies and assurances have been given that in this case such a book will be immediately supplied.

Premium Reserve

The company issues no policies for a longer term than one year. Schedules were furnished containing the premiums in force December 31, 1909. The accuracy of the figures was tested by checking a number of the policy registers and your examiners are satisfied that the amount reported in the company's annual statement (\$603,421.89) computed on a 50 per cent. basis as prescribed in the blank is substantially correct.

It would be much more satisfactory from a department standpoint, if a system of keeping the "Unearned premium fund" be adopted that would show the net premium in force at the end of each month.

Commissions

The liability for commission on premiums was found to be \$40,633.36. The company reported this item as \$37,794.26 in the annual statement, \$2,839.10 having been erroneously deducted from the correct figure. The \$2,839.10 consisted of commission on premiums cancelled in January, 1910, and commissions on reinsurance due, this latter item being taken care of in the item "Reinsurance due other companies."

Dividends

The dividend of \$7,000 was reported by the company and considered as a liability on account of a resolution adopted by the board of directors at a meeting held July 17, 1906, reading as follows:

"Resolved — Until further action by the board, that dividends on the capital stock be paid at the rate of 2 per centum per month."

The dividends have been paid at that rate since that time and no further action had been taken by the board bearing on that matter.

The question being raised as to the propriety of continuing to pay dividends year after year in accordance with a resolution passed in 1906, the board of directors resolved, at a meeting held February 15, 1910,—

"Until further action by the board, dividends on the capital stock shall be paid monthly at the rate of 2 per centum."

Present Value of Annuities Issued in Settlement of Claims

The company reported in its annual statement for 1909 a liability amounting to \$123,810. Of this sum \$83,575 was set aside to provide for the payment during their natural lives of twelve persons whose present age ranges from 35 to 70 years. Payments are made quarterly at the rate of \$10 per week. The balance (\$40,235) was set aside to pay twelve beneficiaries who hold paid-up policies which promise to pay from the date of the policy for a period of ten years (provided they survive throughout the said period) the sum of \$10 per week, such payments to be made at the expiration of each thirteen weeks; and one beneficiary whose policy provides for the payment of \$5 per week for twenty years. In the foregoing statement of liabilities the sum of \$114,666.36 has been charged as being sufficient to meet this obligation. The calculation is based on the Actuaries' Table at 4 per cent. interest.

Agents' Credit Balances

This item amounting to \$2,043.36 was due agents for commission, etc. The company in preparing its annual statement deducted this sum from premiums in course of collection more than three months due, a "not admitted asset," although it is properly chargeable as a liability.

Capital Stock

The company commenced business in May, 1893, with a capital of \$100,000 and a surplus of \$100,000, all paid in cash. The capital stock consisted of 1,000 shares of \$100 each.

In July, 1897, the *surplus* was increased \$120,000 by a voluntary contribution in cash from the stockholders (1,000 shares at \$120 per share).

On April 5, 1899, the board of directors declared a stock dividend and authorized the transfer of \$100,000 from the "General Fund" of the company to the "Capital Account," thus increasing its capital to \$200,000.

On June 29, 1906, the unanimous consent of the stockholders expressed in writing was obtained authorizing the company to increase its capital from \$200,000 to \$350,000, and at the same

time K. C. Atwood was authorized to subscribe for the entire increase. Under date of July 13, 1909, the cash-book shows an entry of \$150,000 received in payment for 1,500 shares of the company stock purchased by K. C. Atwood at par. On July 14, 1906, there were issued to K. C. Atwood two certificates, one for 2,000 shares and the other for 1,500 shares, comprising the entire authorized issue of capital stock, all other certificates having been surrendered to the company. The effect of this transaction was to lodge the title to the whole capital stock in the name of K. C. Atwood. The above two certificates in the name of K. C. Atwood, respectively for 2,000 and 1,500 shares, were cancelled and the stock ledger and certificate book show that on July 14, 1906, certificates were distributed to various individuals for the whole capital stock, 3,500 shares. A list of said individuals accompanies this report.

Management

From May 6, 1893, the date of commencing business, to July 1, 1906, Mr. K. C. Atwood was business manager and secretary of the company. In lieu of salary, Mr. Atwood received a commission on all the premiums received, in return for which he paid all management expenses excepting commissions to agents, taxes, cost of office furniture, safes and books. The losses also were paid direct by the company.

About 1899 Mr. Atwood assigned part of his profits from this contract to a West Virginia corporation called the National Agency Company, which in return advanced him money. The agreement between the Preferred Accident Insurance Company and Mr. Atwood was cancelled on July 1, 1906. We understand that the National Agency Company was dissolved some time thereafter. It appears that at the time of the increase in the capital stock of the Preferred Accident Insurance Company in 1906, the stockholders of the National Agency Company received through Mr. Atwood stock of the Preferred Accident Insurance Company on the basis of one share in the insurance company for every two shares in the National Agency Company.

This, however, does not alter the fact that the Preferred Accident actually received the \$150,000.

Stockholders

The list of stockholders of record as of December 31, 1909, was checked and agreed with the stock ledger and certificate books. The surrendered certificates were produced and compared with the stubs in the certificate books. One certificate was missing from the back of the original certificate book and the stub was marked "void." An affidavit was obtained from the treasurer to the effect that the missing certificate was used in place of a spoiled certificate which was inadvertently destroyed at the time. The list of stockholders is filed with the examination papers.

Directors, Officers and Heads of Departments

Following is a list of directors, finance committee, officers and heads of departments.

Directors

Kimball C. Atwood	David M. Morrison
John L. Childs	Geo. W. Sill
Henry L. Coe	Gilbert H. Johnson
Chas. D. Spencer	Sylvester G. Whiton
Phineas C. Lounsbury	Geo. H. Ackerman
Henry N. Whitney	Wilfred C. Potter
L. H. Biglow	W. E. Young
Francis MacD. Sinclair	

Finance Committee

Kimball C. Atwood	Geo. H. Ackerman
Phineas C. Lounsbury	Henry N. Whitney
Wilfred C. Potter	David M. Morrison

The members of the board of directors and finance committee are paid \$20 for each meeting they attend. The above list of directors contains the name of Geo. W. Sill, who is reported to the department and advertised on their literature as a director. Mr. Sill has repeatedly been elected a director at the annual meetings of the stockholders after July 14, 1906, but has never been reported present at any of the directors' meetings since that date, and according to the secretary, he has not qualified in any other manner. The by-laws of the company provide that each director must own at least five shares of the company's capital stock, and Mr. Sill owns two only.

The number of elected and qualified directors exceeds the minimum number required by law.

Officers

Kimball C. Atwood, President.....	\$25,000	per annum and director's fee
Phineas C. Lounsbury, Vice-President..	1,500	" " " "
Wilfred C. Potter, Secretary.....	12,000	" " " "
George H. Ackerman, Treasurer.....	10,000	" " " "

Heads of Departments

George W. Sill, Superintendent Claim Department.....	\$4,800	per annum
Thomas E. O'Keefe, Ast. Supt. Claim Department.....	3,500	"
P. C. Ackerman, Cashier	4,160	"
W. S. Anderson, Chief Clerk.....	4,160	"
C. H. Soule, Chief Accountant.....	3,000	"
T. E. Gleason, Clerk.....	3,380	"

Purchase of Securities

On or about May 29, 1907, the company purchased 63 shares of the stock of the Merchants' Exchange National Bank and gave in payment a check for \$5,827.50 made payable to the order of P. C. Lounsbury, President. The returned check bears the following indorsements:

- (1) "Pay to the estate of Stephen R. Kirby — P. C. Lounsbury, President."
- (2) "For deposit to a/c of estate Stephen R. Kirby — P. C. Lounsbury, Executor."

At the time this purchase was made Mr. P. C. Lounsbury was a member of the finance committee of the Preferred Accident Insurance Company, president of the Merchants' Exchange Bank and executor of the estate of Stephen R. Kirby.

Although Mr. Lounsbury appears to have had no personal interest in the transaction and although it may not have come within the prohibitions of section 36 of the Insurance Law, it is nevertheless advisable that directors of insurance companies should avoid transactions of this character.

"Life Annuity" Policies

The company from May 8, 1893, to January 10, 1897, issued a "Combination Life Indemnity" policy which contained the following clause:

"In the event of the accidental death of the insured within the terms of this policy, and of the payment to the beneficiary of either of the death benefits herein provided, the said company, on the surrender of this policy for cancellation, will issue to the

said beneficiary (or in the event of prior death, to the person who may be substituted as the beneficiary on the books of said company) a paid-up policy, providing for the payment, to such beneficiary, in quarterly instalments, of an indemnity equal to the sum of ten dollars per week, during the period of natural life—it being understood and agreed that such paid-up policy, and all claims thereunder, shall forthwith cease and determine upon the death of the beneficiary named therein.”

The company ceased to issue any new policies under the above form after January 10, 1897, but at the present time 990 policies are in force which are kept alive as long as the policyholders pay their renewal premiums.

“Combination Annuity” Policy

When the company discontinued the issuance of the “Life Annuity” policy, it substituted a policy with the above appellation which contained the following clause:

“In the event of the accidental death of the insured within the terms of this policy, and of the payment to the beneficiary of either of the death benefits herein provided, the said company, on the surrender for cancellation, will issue to the said beneficiary (or, in the event of prior death, to the person who may have been substituted as the beneficiary on the books of the said company) a paid-up policy, providing for the payment, to such beneficiary, individually in quarterly instalments, of an indemnity equal to the sum of ten dollars per week during the period of ten (10) years next following the date when such paid-up policy shall be issued. It is, however, expressly understood and agreed that in the event of the death of said beneficiary at any time prior to the expiration of the said ten years, the said paid-up policy shall forthwith terminate, and said company shall thereupon be relieved from any and all obligations to make further payment of the said indemnity to any person whomsoever.”

At the time of the examination of this company reported under date of May 6, 1897, the question arose as to whether companies incorporated under subdivision 2, section 70 of the Insurance Law, should be permitted to enter into contracts providing for the payment of an annual income (in the event of the accidental death of the assured) to the beneficiaries during their natural lives. In said report such transactions were characterized in the following language:

"The essence of the whole transaction is that of granting an annuity, pure and simple."

It does not appear that the Department has ever made a ruling in this matter, and we therefore submit these facts for your consideration and decision. The questions involved are:

- (1) Whether the company had a right to issue the "Combination Life Indemnity" or the "Combination Annuity" policies.
- (2) If not, whether they should be allowed to renew existing policies.

Bookkeeping

The agents' accounts and policy registers are well kept and extensive checks maintained. The general bookkeeping system, however, is cumbersome and unscientific, and requires unnatural and unconventional devices to maintain its equilibrium.

The uncollected premium and agents' balances are treated as cash and appear as such on the so-called cash book, the cash in office being merged with that asset. The figures from half a dozen or more books and sundry slips are necessary to extricate the cash balance.

The bank account is properly maintained in the name of the company, but is carried on the ledger in the name of the treasurer. This account is treated like a personal account, all postings excepting deposits coming from journal entries.

The ledger accounts are not kept in the manner necessary to conform with the department blanks. Notably the agents' balances appear in the ledger under the heading "Cash a/c," the cash in office and agents' balances being merged in the same manner as in the cash-book.

The cash receipts and cash disbursements are combined with other debits and credits and are traced with difficulty. The officers of the company have given assurances that immediate steps will be taken to install a system which will simplify the auditing of the books.

Respectfully submitted,

CHARLES HUGHES

Chief Examiner Casualty and Miscellaneous Companies

SETH C. McARTHUR

Examiner

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.:

Charles Hughes and Seth C. McArthur, being duly sworn, depose and say and each for himself says, that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

CHARLES HUGHES
SETH C. McARTHUR

Subscribed and sworn to before me
this 16th day of March, 1910.

KATE F. CAHILL

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, March 17, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—We have to report that the examination directed to be made under authority of your appointment No. 2221 dated July 30, 1909, and annexed hereto, of the Bond and Mortgage Guarantee Company of Brooklyn, N. Y., has been completed. The examination was made for the following purposes:

First: To verify an increase in the company's capital stock from \$3,000,000 to \$5,000,000.

Second: To ascertain the financial condition of the company as a result of said increase, and, to further ascertain whether the company has properly complied with the requirements of sections 62, 63 and 64 of the Stock Corporation Law.

INCREASE OF CAPITAL STOCK

At a regular meeting of the board of directors held at the office of the company, No. 176 Broadway, New York, on May 10, 1909,

it was resolved that the capital of the company be increased from \$3,000,000 to \$5,000,000 by an issue of 20,000 shares, par value \$100, amounting to \$2,000,000. This new issue of stock was to be subscribed for by the then stockholders, and paid for by an extra dividend of 50 per cent. on the then existing capital stock (\$3,000,000) amounting to \$1,500,000 to be paid from the company's surplus, and the balance by a cash subscription of \$500,000. This resolution was confirmed at a special meeting of the stockholders held at the office of the company No. 175 Remsen street, Brooklyn, New York, on June 14, 1909. In accordance with said resolution dividend warrants amounting to \$1,500,000 and rights to subscribe for 20,000 shares of stock were issued to stockholders of record as of June 30, 1909.

Certified copies of the proceedings of said meetings are attached to this report.

Filed herewith is a schedule containing a list of the original subscribers to the increased capital stock, showing their respective names and addresses, also the number and amount of shares subscribed and paid for by dividend warrants, and by cash, by each subscriber respectively with the dates of said cash payments.

In view of the fact that the company declared an extra dividend amounting to \$1,500,000 to be paid from the company's surplus, it was necessary to ascertain the condition of the company as of June 30, 1909, the dividend date.

The condition of the company on said date was found to be approximately as follows:

Assets	\$6, 893, 224 84
Liabilities	29, 853 03
Capital	3, 000, 000 00
Surplus	3, 863, 371 81

Total liabilities including capital and surplus. \$6, 893, 224 84

We have checked the cash book, compared the amounts with the stock certificates issued, and find that there was paid in to the company the sum of \$711,800 in cash, and \$1,288,200 in dividend warrants amounting in total to \$2,000,000 representing the par value of 20,000 shares at \$100 per share between the dates of July 1, 1909, and August 18, 1909.

While the company received, as shown above, the sum of \$2,000,000 in the form of cash and dividend warrants as payment for the new issue of stock, the proportion of cash so received is in excess of the cash subscription by the sum of \$211,800, such sum likewise representing the amount of dividend warrants not yet returned to the company. This condition is occasioned by the manner in which the dividend warrants were handled by certain stockholders, who remitted cash for the full amount of stock which they were entitled to subscribe for, and held, transferred or deposited in bank the dividend warrants, such warrants still being outstanding, which when returned will reduce the actual cash received to the sum of \$500,000.

There still remains two shares of stock not issued, representing several one-third interests. As provided in the resolution of the board of directors, such interests must be consolidated into full shares by November 15, 1909.

This increased capital has been partly invested in real estate mortgages, and the balance is on deposit in cash in various banks and trust companies.

Also attached hereto is an affidavit of the president and secretary of the company to the effect that the sum of \$2,000,000 representing the increased capital of the company has been fully paid in, and that all requirements have been complied with according to statute.

FINANCIAL CONDITION

The financial condition of the company on August 18, 1909, as shown by the examination was found to be as follows:

<i>Assets</i>		
Real estate		\$430,950 00
Mortgage loans, New York.....	\$1,431,380 55	
Mortgage loans, Brooklyn.....	1,853,191 66	
		<hr/> 3,284,572 21
Building loans, New York.....		1,145,000 00
Bonds and Stocks	Par Value	Market Value
N Y City 3½s 1954.....	\$45,000	\$40,950 00
N Y City 3½s 1914.....	2,000	1,960 00
N Y City 4s 1909.....	500,000	500,000 00
City Real Estate Co of N Y stock..	10,000	30,000 00

Realty Associates Co of Brooklyn			
stock	\$40,000	\$54,000 00	
Title Guarantee & Trust Co of N Y			
stock	40,000	200,000 00	
<hr/>			
Market value of bonds and			
stocks	\$637,000	\$826,910 00	\$826,910 00
Cash in bank and trust companies.....			1,797,855 81
Cash in office.....			1,542 14
Interest due and not paid on guaranteed mortgages.....			191,918 75
Mortgage money advanced.....			3,650 00
Interest accrued on bonds not included in market value.....			6,493 48
Interest accrued on mortgage loans.....			68,508 11
<hr/>			
Total assets		\$7,757,400 50	
<hr/>			
<i>Liabilities</i>			
Mortgage money owed		\$2,517 81	
Rent accrued		2,400 00	
Salaries accrued		1,688 00	
Reserve for insurance taxes (estimated).....		6,000 00	
<hr/>			
Total liabilities except capital and surplus.....		\$12,605 81	
Capital	\$5,000,000 00		
Surplus	2,744,794 69		
		<hr/>	7,744,794 69
<hr/>			
Total liabilities including capital and surplus.....		\$7,757,400 50	
<hr/>			

The item of real estate in the list of assets comprises several pieces of property located in New York and Brooklyn. These properties have been valued by appraisers appointed by the Insurance Department. The value of same as reported by said appraisers being the sum of \$430,950.

All the bond and mortgage papers on file in the company's office on August 18, 1909, were examined and the fire insurance policies were compared. Those mortgages that had been sold subsequent to the date of this examination were checked to the cash book. Several mortgage extensions and assignments were not in the possession of the company at its office and we were informed that same were in the office of the recorder for the purpose of record. For such reason no examination of said papers was made.

In the list of assets, under the head of mortgage loans, there has

been included fourteen mortgages under foreclosure proceedings, amounting to \$44,457.40. The property securing said mortgages being appraised by the company in the sum of \$78,550.

The asset item of \$191,918.75 interest due and not paid on guaranteed mortgages represents disbursements made by the company for interest due on same in excess of interest received.

The company had outstanding on August 18, 1909, the sum of \$182,161,174.06 in mortgages on which the payment of principal and interest had been guaranteed. Nine hundred eighty-nine thousand one hundred dollars of this amount represents one hundred mortgages under foreclosure, the value of the property securing said mortgages as appraised by the company being \$1,635,100.

The mortgages on which the company issues its policy guaranteeing the payment of principal and interest have never been assigned to it, but with few exceptions are mortgages sold by the Title Guarantee and Trust Company, the latter corporation disposing of the mortgages with accompanying guarantee of the Bond & Mortgage Guarantee Company. Close business relations are maintained between the two companies. Clarence H. Kelsey, second vice-president, Frank Bailey, third vice-president and Clinton D. Burdick, treasurer of the Bond and Mortgage Guarantee Company, are president, vice-president and third vice-president, respectively, of the Title Guarantee & Trust Company.

The latter company acts as depository for a portion of the funds of the former, large balances being held at both the New York and Brooklyn offices of the trust company to the credit of the mortgage company. The Title Guarantee and Trust Company is a stockholder in the Bond and Mortgage Guarantee Company to the extent of 1,251 shares, representing a par value of \$125,100, and the Bond and Mortgage Guarantee Company own 400 shares, representing a par value of \$40,000 of the Title Guarantee and Trust Company stock.

The following is a list of the officers of the company with the yearly compensation of each:

Waldron P. Belknap, President.....	\$5,000 00
Martin Joost, Vice-President.....	2,500 00
Clarence H. Kelsey, Second Vice-President.....	5,000 00
Frank Bailey, Third Vice-President.....	4,000 00

Clinton D. Burdick, Treasurer.....	\$1,500 00
John L. Sherwood, Secretary.....	3,750 00
George W. Bailey, Assistant Treasurer.....	2,250 00
William B. Clarke, Assistant Secretary.....	2,000 00

Respectfully submitted

CHARLES H. GARDNER

HERBERT C. CLARK

Assistant Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner and Herbert C. Clark, being duly sworn, depose and say, and each for himself deposes and says, that the foregoing report subscribed by them, being in amendment of the same report subscribed and sworn to by them on the 14th day of February, 1910, is true to the best of their knowledge and belief.

CHARLES H. GARDNER

HERBERT C. CLARK

Subscribed and sworn to before me
this 17th day of March, 1910.

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, March 17, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your appointment No. 2325, dated January 6, 1910, we have made an examination of the Jewelers' Safety Fund Society of New York.

The Jewelers' Safety Fund Society was incorporated by a special act of the Legislature, passed April 31, 1884, known as chapter 171, Laws of 1884.

For many years prior to the formation of the society, the

jewelry salesmen were the special prey of professional thieves. In order to overcome or minimize this evil the jewelry trade decided to form an unincorporated association for "the mutual protection of its members in case of the robbery of any merchandise while in the custody of any of the members, or their salesmen, agents, clerks or servants, away from the respective members' places of business; to employ any detective agency or any persons, or take any means that may be deemed advisable, under the direction of the executive committee, to prosecute the thieves, and endeavor to restore the property; to investigate cases of property lost while in custody of a member or their salesmen, agents, clerks or servants, to investigate charges of neglect of duty by registered salesmen; and, generally, to take means to guard the interests of the members in all matters covered by the Union." This association was organized July 1, 1878, under the name of The Jewelers' Protective Union.

This action of the trade meeting with success, they decided to extend their field of co-operation. Accordingly the Jewelers' Safety Fund Society was incorporated as above noted. In addition to the usual powers of corporations in the State of New York, the society has "the power to insure manufacturers or importers of, and wholesale or retail dealers in, watches, watch movements, jewelry, diamonds, etc., against loss of or damage to any merchandise goods or articles owned by such manufacturers, importers or dealers, or held by them in trust or on commission, or sold but not delivered, or in which they have any interest or for which they are in any respect liable, by any and all risks of fire, theft, barratry and embezzlement, and any and all risks of transportation by land or water, during all or any period or periods of time whilst such merchandise, goods or articles are outside of the stores, offices and manufactories of the assured, whether the same are in the custody of the assured, their clerks, salesmen, agents or servants or of any express or transportation line, or in letters or packages in the mail, or in the custody of any other person or corporation, to whom they may have been intrusted or delivered by or on behalf of the assured, their clerks, salesmen, agents or servants."

Although these two organizations are separate and distinct bodies, they act in perfect unison, their governing boards being practically identical.

The Jewelers' Safety Fund Society is conducted on a purely mutual plan. Premiums are collected in advance and the society has the power of calling assessments if premiums are insufficient to pay losses. The society has not found it necessary to levy any assessments, the premiums being more than ample to pay all losses and expenses. The by-laws further provide that:

"All premiums which may accrue during any one calendar year, shall be used to defray the expenses of that year and the losses which shall occur during the next ensuing calendar year, and the remainder (if any) over what may be needed to pay such expenses and losses, shall on the third Tuesday of March in the Calendar year next after that in which such losses occurred, be divided among the members who have paid in such premiums proportionately to the sums so paid in by them respectively."

According to an exhibit prepared for the members, the society had returned to its members as surplus premiums during the twenty-four years ending December 31, 1907, almost 90 per cent. of the premiums received during that period.

The society issues two classes of policies—Class "A" and Class "B." Class "A" includes all policies upon goods carried in sample trunks or otherwise in charge of travelling agents, or sent to or from such agents, also upon goods in the custody of the assured, his brokers, clerks, agents or servants, or of his customer or others to whom they are delivered for selection or repair. Class "B" includes all policies upon goods forwarded by registered mail or express, except when sent to or from the assured's traveling agent, whose stock of goods is insured under Class "A" policy of the society.

The premium rate on Class "A" policies is 1 per cent. on the amount of insurance, the limit of insurance being \$60,000 on any stock in charge of any one agent. No policy is issued in this class, unless the agent or salesman having charge of goods to be insured is registered in the Jewelers' Protective Union as an agent for the insured. The Jewelers' Protective Union makes a charge of \$20, as a registration fee, and \$5 annual dues on each

and every salesman's stock for which a certificate of registration is issued. The Jewelers' Protective Union refuses to issue certificates to agents who fail to pass the scrutiny of the union, and the Jewelers' Safety Fund Society itself exercise discrimination in the admission of members, thereby reducing or eliminating the moral hazard. The expenses incident to the conducting of the business of the Jewelers' Protective Union at one time severely taxed its resources. The Jewelers' Safety Fund Society, being the principal beneficiary of the union, passed a resolution at a directors' meeting, held January 7, 1893, to make "Annual payments to the Jewelers' Protective Union of 5 per cent. of the earned premiums in Class 'A' of the Safety Fund Society, until the reserved fund of the Union shall reach the sum of \$15,000, when these payments shall cease, until such time as the Union shall again require its reserved fund to be replenished, so as to reach the said amount of \$15,000, provided the Executive Committee of the Protective Union shall request the renewal of such payments." Approximately the sum of \$16,500 has been paid under this resolution, the last payment being made in January, 1902. On December 31, 1909, the reserved fund of the Jewelers' Protective Union was said to be about \$27,000.

Class "B," or "Package" policies, are issued in amounts from \$1,000 to \$20,000. The society's liability, however, on any one package does not exceed one-half the amount of the policy. The premiums on these policies are 5 per cent. of the face of the policies but, as with Class "A" premiums, such portions of the premiums not necessary to pay expenses and losses are returned to the members.

On December 31, 1909, the total amount of insurance in force was \$21,889,700, covered by 1745 Class "A" policies and 336 Class "B" policies. These policies were issued to 626 members, 300 of these members holding both Class "A" and Class "B" policies, 290 insuring only in Class "A" and 36 carrying Class "B" policies.

Income

(January 1st to December 31, 1909.)

Premiums Class "A," 1909.....	\$229,505 25	
Premiums Class "B," 1909.....	59,582 00	
	<hr/>	\$289,087 25

Interest	\$15,680 39
Salvage, Class "A"	2,802 63
Total income	\$307,660 27
Balance December 31, 1908	441,220 84
	<hr/>
	\$748,881 11
	<hr/>

Disbursements

. (January 1st to December 31, 1909.)

Claims	\$8,168 18
Surplus premiums	207,120 27
Rebates on cancelled policies	22,420 50
	<hr/>
Total paid to members	\$237,708 95
Salaries of officers (rent and office expenses paid by secretary)	15,600 00
Printing, etc.	1,818 46
Legal expenses	250 00
Directors' fees	670 00
(Expense of management)	\$18,338.46)
Depreciation of securities	1,500 52
	<hr/>
Total disbursements	\$257,547 93
	<hr/>
Ledger assets, balance	\$491,333 18
	<hr/>

Assets

Bonds, book value (amortized)	\$309,836 98
Bonds, Third Ave. R. R. (market value)	6,900 00
Deposits in banks	173,846 20
Premiums in course of collection	750 00
	<hr/>
Total ledger assets	\$491,333 18

Non-Ledger Assets

Accrued interest	2,391 67
	<hr/>
Total admitted assets	\$493,724 85
	<hr/>

Liabilities

Claims (estimated)	\$12,682 23
Unearned premium reserve	51,246 98
Surplus premiums due 1908 policyholders	218,285 18
Surplus	211,510 46
	<hr/>
Total liabilities	\$493,724 85
	<hr/>

Income

The income of the society consists of premiums, interest on securities and bank balances, and salvage recovered. Each year's premium income, as well as each class, is kept under a separate account and the income from other sources is apportioned to the credit of the various premium accounts.

Disbursements

The item "Salaries of officers" (\$15,600), includes the salary of the president and the compensation paid to the secretary. The compensation paid to the secretary consists of \$500 per annum and 5 per cent. of the net premium income. The total paid to the secretary in 1909 was \$13,600. Out of this amount the secretary paid the office rent, clerks' salaries and other office expenses. This arrangement with the secretary has been in force practically since the organization of the society, and in the earlier years authorization for this disbursement appeared in the minutes of the directors' meetings. In the more recent years the necessity of spreading on the minutes authorization for this and other disbursements appears to have been overlooked.

Assets

The securities were checked and counted, excepting the Third Avenue Railroad Bonds, which were sold in February of this year. The society used the amortized value of its bonds in making its financial statement; the market value on December 31, 1909, was greater by \$5,413.02. The Third Avenue Railroad Bonds have been listed separately, at their market value, the road being in the hands of a receiver. The schedule of bonds owned by the society is attached to this report as Exhibit "A."

Liabilities

The amount carried for claims is sufficient to pay all the known claims having accrued in 1909, and which had not been paid on December 31, 1909. This amount, deducted from the premiums collected in the calendar year of 1908, less the expenses incurred in 1908, leaves \$218,285.18, which amount is to be returned to policyholders this month as surplus premiums, in accordance with the provisions of the by-laws (quoted on a previous page). The

"Unearned Premium Reserve" is calculated in accordance with the following provisions of the by-laws:

"When a policy is surrendered, the member shall receive a rebate of premium for the unexpired term, estimated at one-half of the original rate, provided so much shall remain after paying its pro rata of expenses and losses."

Formerly, in making its annual statements, the society reported no liabilities, excepting unpaid claims.

Directors and Officers

The board, consisting of eleven directors, is elected annually. The composition of the board elected January, 1910, is as follows:

Ira Goddard,
James C. Aikin,
Charles G. Alford,
Louis Kahn,
Frederick H. Larter,

William T. Gough,
August Oppenheimer,
M. Luther Bowden,
George W. Street,
Henry Untermeyer,

Oliver G. Fessenden.

The following are the officers and their salaries: William T. Gough, president, \$2,000 per annum; Louis Kahn, vice-president, no salary; Charles G. Alford, 2d vice-president, no salary; Ira Goddard, secretary and treasurer, \$500 per annum and 5 per cent. on net premium income; Fred L. Goddard, assistant secretary and treasurer, \$500 per annum.

The assistant secretary and treasurer was appointed by the board of directors, but he received his remuneration from the secretary. The above \$500 per annum has been recently voted to him to be paid by the society, in addition to any compensation that he may receive from the secretary.

The Executive Committee consists of the following directors and officers: Frederick H. Larter, Oliver G. Fessenden, Charles G. Alford, August Oppenheimer, M. Luther Bowden, the president, and the vice-president, ex-officio.

Management

The charter permits the society to insure against risks of fire, theft, barratry, embezzlement and any risks of transportation by land and water, but the company's policies do not cover barratry or embezzlement. The policies only cover merchandise within the United States and Canada. The society has members located in

all parts of the country, but the only office maintained is at New York City. The secretary, who was also one of the incorporators of the society, has held the office since its incorporation and he is virtually the business manager. The affairs of the society are conservatively and economically administered and the resultant cost of insurance to members is correspondingly small.

Report and Taxation

Although issuing policies of insurance since 1884, the society made no reports to the Insurance Department until 1905, and then by instructions of the Insurance Department under date of May 24, 1905. The society conducts a purely mutual business, insuring jewelers' merchandise against fire, theft and risks of transportation. It is evident that the society comes under the provisions of Article I of the Insurance Law, but it is not apparent under which classification (as defined by the other articles of the Insurance Law) this society falls, and it is equally uncertain under which provisions of the law it is exempt from State or municipal taxation, the society never having paid such taxes.

There are filed with this report copies of the society's charter and by-laws, policy forms, application blanks, descriptive souvenir booklet issued on the society's twenty-fifth anniversary, and the constitution and by-laws of the Jewelers' Protective Union.

SETH C. McARTHUR

Examiner

SAMUEL DEUTSCHBERGER

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Seth C. McArthur and Samuel Deutschberger, being duly sworn, depose and say that they have read the foregoing report subscribed by them, and that the same is true to the best of their knowledge, information and belief.

SETH C. McARTHUR

SAMUEL DEUTSCHBERGER

Subscribed and sworn to before me
this 6th day of April, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *March 25, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.—In accordance with your appointment No. 2148, attached hereto, we have completed an examination of the condition and affairs of the Mutual Life Insurance Company.

The Mutual Life Insurance Company of New York was incorporated by a special act of the Legislature of the State of New York, known as chapter 246 of the Laws of 1842. This act was amended by chapters 60 of the Laws of 1851 and 131 of the Laws of 1862. It commenced business February 1, 1843. Its charter provides that it shall do business upon the mutual plan and that all persons insuring in the company shall be members thereof. The last examination was made as of December 31, 1905, and the report was made August 20, 1906. This report is made as of December 31, 1908.

We herewith submit financial statement showing the condition of the company, which, except as hereinafter set forth, is the same as the sworn statement on file at the Insurance Department at Albany.

INCOME

First year's premiums on original policies..	\$2,815,716 32	
Surrender values applied to pay first year's premiums	37,457 62	
Total first year's premiums on original policies	\$2,853,173 94	
Dividends applied to purchase paid-up additions and annuities.....	2,455,572 18	
Consideration for original annuities involving life contingencies	585,055 60	
Consideration for supplementary contracts involving life contingencies.....	547,746 49	
Total new premiums.....		\$6,441,548 21
Renewal premiums	\$47,155.649 39	
Dividends applied to pay renewal premiums.	78,306 65	

Surrender values applied to pay renewal premiums	\$865,253 31	
Renewal premiums for deferred annuities	21,080 37	
Total renewal premiums		\$48,120,289 72
Total premium income		\$54,561,837 93
Consideration for supplementary contracts not involving life contingencies		366,872 52
Dividends left with the company to accumulate at interest		6,789 05
Interest on mortgage loans	\$5,983,008 28	
Interest on collateral loans	634,886 43	
Interest on bonds and dividends on stocks, less \$265,079.68 accrued interest on bonds acquired during 1908	12,596,285 53	
Interest on premium notes, policy loans or liens	3,085,590 56	
Interest on deposits in trust companies and banks	190,989 01	
Interest on other debts due the company	139,136 72	
Rent from company's property, including \$359,811.67 for company's occupancy of its own buildings	1,670,663 41	
Total gross interest and rents		24,300,559 94
Collections or deposits received on account of others, not paid out		237,569 59
From agents' balances previously charged off		25,869 03
Gross profit on sale or maturity of ledger assets, viz.:		
Real estate	\$38,637 88	
Bonds	107,804 09	
Stocks	462,925 78	
		609,367 75
Gross increase, by adjustment, in book value of ledger assets, viz.:		
Bonds		337,895 04
Other profits, conscience money		450 60
Total income		\$80,447,211 45
Ledger assets, December 31, 1907		495,158,421 46
Total		\$575,605,632 91

DISBURSEMENTS

Death claims, \$20,577,321.88; additions \$1,087,497.89	\$21,664,819 77
Matured endowments, \$4,417,742.19; additions, \$723,188.41	5,140,930 60

Net amount paid for losses and matured endowments...	\$26,805,750 37
For annuities involving life contingencies.....	2,736,925 49
Surrender values paid in cash, or applied in liquidation of loans or notes.....	9,473,242 99
Surrender values applied to pay new premiums, \$37,457.62; to pay renewal premiums, \$865,253.31.....	902,710 93
Dividends paid to policyholders in cash, or applied in liquidation of loans or notes.....	5,770,588 01
Dividends applied to pay renewal premiums.....	78,306 65
Dividends applied to purchase paid-up additions and annuities	2,455,572 18
Dividends left with the company to accumulate at interest..	6,789 05
(Total paid to policyholders..... \$48,229,885 67)	
Expense of investigation and settlement of policy claims, including \$32,601.35 for legal expense.....	42,197 55
Paid for claims on supplementary contracts not involving life contingencies	296,560 55
Dividends held on deposit surrendered during the year.....	19 19
Commissions to agents (less commissions on reinsurance):	
First year's premiums.....	\$1,212,792 08
Renewals	788,910 00
Annuities (original)	23,343 34
Annuities (renewals)	251 60
	<hr/>
Commuted renewal commissions.....	2,025,296 92
Salaries and allowances for agencies, including managers, agents and clerks.....	5,046 24
Agency supervision, traveling and all other agency expenses.	1,049,355 36
Medical examiners' fees, \$211,010.35; inspection of risks, \$36,786.81	808,272 37
Salaries and all other compensation of officers, directors, trustees and home office employees.....	247,797 16
Rent, including \$359,811.67 for company's occupancy of its own buildings, less \$4,262.50 received under sub-lease....	1,195,943 54
Advertising, \$65,709.40; printing and stationery, \$150,098.80; postage, telegraph, telephone and express, \$205,695.78; exchange, \$43,749.70; printing annual statement, \$6,352.41.	540,148 28
Legal expenses, \$36,711.95; legislative, \$7,613.58.....	471,606 09
Furniture, fixtures and safes.....	44,325 53
Repairs and expenses (other than taxes) on real estate.....	29,086 98
Taxes on real estate.....	461,538 83
State taxes on premiums.....	380,496 15
Insurance Department, licenses and fees.....	639,719 82
All other licenses, fees and taxes.....	16,548 59
Taxes on investments.....	69,634 73
Traveling expenses, \$69,084.80; law library and restaurant, \$48,826.83; cost of election and election list, \$13,816.06; sundries, \$4,707.53; general audit, \$9,752.04; disbursed from amount held for deposits for pending insurance, \$68,331.66	16,690 95
	214,518 92

Agents' balances charged off.....	\$51,398 31
Gross loss on sale or maturity of ledger assets, viz:	
Real estate.....	4,072 61
Gross decrease by adjustment in book value of ledger assets, viz:	
Real estate	\$3,364,702 10
Bonds	118,322 20
	<hr/>
	3,483,024 30
Loss through guarantee of title of real estate sold in 1887..	270 97
	<hr/>
Total disbursements	\$60,323,455 61
	<hr/>
Balance	\$515,282,177 30
	<hr/>

LEDGER ASSETS

Book value of real estate.....	\$26,196,029 54
Mortgage loans on real estate.....	126,120,961 39
Loans secured by pledge of bonds, stocks or other collateral.	2,500,000 00
Loans made to policyholders on this company's policies as- signed as collateral.....	63,048,558 17
Book value of bonds, \$247,039,752.09, and stocks, \$46,257,316.62	293,297,068 71
Cash in company's office, \$68,631.16; cash in transit since received, \$2,000	70,631 16
Deposits in trust companies and banks, not on interest....	724,999 11
Deposits in trust companies and banks, on interest.....	3,130,991 77
Agents' balances (debit, \$152,212.83; credit, \$57,209.63)	95,003 20
Suspense, \$67,778.99; supplies, \$30,155.26.....	97,934 25
	<hr/>
Total ledger assets.....	\$515,282,177 30

NON-LEDGER ASSETS

Interest due and accrued:	
On mortgages	\$1,686,463 70
On bonds	1,869,639 10
On collateral loans.....	67,600 00
On policy loans.....	30,162 78
On other assets.....	9,806 11
Rents due and accrued.....	187,610 40
	<hr/>
Total interest and rents due and accrued.....	3,861,082 09
Market value of real estate over book value.....	4,226,680 48
Market value of bonds and stocks over book value.....	16,971,463 42
Gross uncollected and deferred premiums....	\$5,563,553 87
Deduct loading 26 per cent.....	1,446,524 00
	<hr/>
Net uncollected and deferred premiums.....	4,117,029 87
	<hr/>
Gross assets	\$544,448,333 16

DEDUCT ASSETS NOT ADMITTED

Supplies, stationery and printed matter....	\$30,155 26
Agents' debit balances.....	152,212 83
Cash advanced to or in hands of officers or agents	8,320 23
Book value of ledger assets over market value	12,980 09
Suspense	59,458 76
Total	\$263,127 17
Total admitted assets.....	\$544,185,205 99

LIABILITIES

Net reserve on insurance policies and annuities in force December 31, 1908, computed by the Insurance Department	\$432,957,142 00
Present value of amounts not yet due on supplementary contracts not involving life contingencies.....	2,202,326 11
Liability on policies cancelled and not included in "net reserve" upon which a surrender value may be demanded..	39,938 93
Losses and claims:	
Death losses due and unpaid.....	\$442,055 08
Death losses in process of adjustment or adjusted and not due.....	963,350 21
Death losses which have been reported and no proofs received.....	1,312,428 66
Matured endowments due and unpaid...	132,064 48
Death losses and other policy claims resisted	527,843 51
Due and unpaid on annuity claims involving life contingencies.....	181,561 81
Total policy claims.....	3,559,303 75
Reserve for death losses accruing in 1908 of which the company was not notified until 1909.....	333,614 98
Due and unpaid on supplementary contracts not involving life contingencies	1,335 53
Dividends left with the company to accumulate at interest..	6,769 86
Premiums paid in advance, including surrender values so applied	517,700 95
Unearned interest and rent paid in advance.....	1,308,991 52
Commissions to agents, due or accrued.....	3,882 54
Cost of collection on uncollected and deferred premiums on new business in excess of the loading thereon.....	29,322 15
Salaries, rents, office expenses, bills and accounts due or accrued	13,720 06
Medical examiners' and legal fees due or accrued.....	12,412 60
State, county and municipal taxes due or accrued.....	54,012 48

Reserve to meet licenses, franchise and other taxes for the year 1909	\$577,840 59
Dividends or other profits due policyholders, including those contingent on payment of outstanding and deferred premiums	191,222 41
Dividends due policyholders.....	11,092,282 38
Total deferred dividend funds.....	69,675,127 53
Deposits on account of pending insurance.....	82,440 35
Due sundry parties for collections made or deposits held for their accounts	809,204 53
Fund for depreciation of real estate and securities and general contingencies	20,716,614 74
Total liabilities	<u>\$544,185,205 99</u>

INCOME AND DISBURSEMENTS

Premium Receipts

Several tests were made of the company's premium account, which showed that these accounts are kept correctly. The reports of cashiers at the branch offices were checked to the company's books of account. In addition to this, a check was made of the accounts in the comptroller's office from the actuary's books representing policies in force.

Dividend Additions

This company apportions dividends on policy anniversaries in the form of paid up additions, unless otherwise specified in the contract. The policyholder, to secure this dividend in cash or to have it applied to the payment of premiums, must request the company to apply the surrender value to those purposes. For the reason that the company pays such dividend additions as death claims, even though the insured dies on the policy anniversary, it claims that none of these dividends, even though used in reduction of premiums or taken in cash at the anniversary date, should be carried into the item of the report "Dividends Paid Policyholders in Cash or Applied in Liquidation of Loans or Notes." Instead, the company first carried the current year's dividends which the policyholders have taken in cash, or in reduction of premiums, into both the income and disbursements as "dividends applied to purchase paid up additions and annuities," and then carried into the item of disbursements, "Surrender

values paid in cash or applied in liquidation of loans or notes." The amount credited in the year 1908 and surrendered prior to December 31, 1908, was \$4,432,815.36; many of the items making up this amount were surrendered after the policy anniversaries on which dividends were allotted. This amount appears once on the income side of the company's statement and twice on the disbursement side, when, in our opinion, it should have been carried once only on the disbursement side. By the company's method, the totals of both income and disbursements were increased by \$4,432,815.36. It also, by increasing the premium income by this same amount, gives a misleading percentage of expenses to premium income which the company used in its advertisements.

In order to conform to the expressed wish of the department and to the usual American practice, which differs from the older British practice adopted by this company many years ago, the company states it will hereafter (commencing with the 1909 annual statement) treat the dividends credited and surrendered in the same calendar year as cash dividends for the purposes of the Annual Statement.

Interest, Dividends and Rents

The income from interest, dividends on stocks and rents was checked and found correct. The details of interest on bonds and real estate mortgages were checked both to the company's books and the schedules in the report. The dividends on stocks were checked and found correct and to agree with the details of the schedules in the statement. The rents from the various properties owned by the company were checked from the leases on file in the company's office, in most cases, and from reports of the agents in charge of the various buildings.

Miscellaneous Items

The profits on sale of various parcels of real estate were checked in detail, also the schedule of real estate sold. Profits on sale and maturity of bonds were checked, also profits on sale of stocks and the same were found to be correct both in the income and details of Schedule D. Rights in stock owned by the company in addition to the amount of the item of profit in the statement, to the

amount of \$158,539.70, were applied to reduce the book value of such stocks.

The increase by adjustment in book value of ledger assests consists wholly of increase by accrual of discounts on account of bonds bought at less than par in accordance with the company's system of amortization.

Death Claims

We examined a large number of disbursements for death and endowment claims under policies issued by the company. The payments are made promptly and the management makes special efforts to accelerate the passing upon the proofs by the different departments that must approve before payment is authorized. Your examiners found only one claim that upon the record of the company would be subject to criticism. This was a case in which the company compromised a claim of \$1,000, and repaid the premiums only upon the hearsay statement of the attending physician, although that was contradicted by a number of other reputable persons. The company made no independent investigation to ascertain the true facts.

The company pays promptly its endowments, annuities, dividends and other policy claims. Vouchers were produced showing proper payments in the large number of cases examined.

Agents' Compensation

The commissions and salaries to agents, allowances to agencies, agency supervision and other agency expenses, were carefully checked and found correct. Agency reports were tested and vouchers examined. We checked the items in the agents' accounts to the tabulation sheets, from there to the abstract of domestic agencies, from there to the summary of totals and then to the ledger. The accounts do not show the amounts advanced to and repaid by agents. The only record kept is in the form of monthly trial balances, showing the net advances outstanding by agencies. It seems to us that the accounts should be kept in such a way as to show the gross amounts advanced and repaid as well as the net amount outstanding.

Rent

We checked the disbursements for rent, including the amount paid by the company for occupancy of its own buildings.

Advertising and Supplies

We checked the disbursements for advertising for the years 1905 to 1908 inclusive and found the same correct. The amounts spent for advertising are given separately in the tables attached to this report. During the years 1906 and 1907, the company placed practically all of the home office advertising through N. W. Ayer and Son, of Philadelphia, Pennsylvania. The company paid under the contract with the above firm, \$109,230.59 in 1906 and \$176,447.66 during 1907. The contract, a copy of which is filed with this report, provides a payment of fifteen per cent. to the above firm for placing the advertising, and acting for the company in regard to its advertising.

We made a test check of the disbursements for printing, stationery and other supply accounts and found them correct. We also examined the company's system for ordering and paying for its supplies and believe that a thorough check has been established that will prevent any abuse in this department such as occurred in prior years.

Legal and Legislative Expenses

We checked the items of legal and legislative expenses for 1906, 1907 and 1908, together with the schedule showing these disbursements, and found both the disbursement items and the schedule to have been reported correctly.

Miscellaneous Expenses

The other expense disbursements were checked and vouchers produced. All the items as they appear in the annual statement were found correct, except that the company reports as "state examinations" the cost of printing the annual statement submitted to the various state departments. This is not the proper item under which to report the cost of making the annual statement, inasmuch as the preparing of the annual statement has nothing to do with State examinations. The company had 750 copies printed, only a small portion of these being required to comply with the law or requirements of the various State departments.

ASSETS

The real estate of the company has been appraised, except office buildings in Mexico, Cape Town and Sydney. The properties located in London and Paris were examined by Messrs. Hughes and Woodward of this department, and their report thereon is filed in the department.

Real Estate Mortgages

We checked the bonds and mortgages, as given in the ledger assets, and found the amount of the same to be correct. We checked the fire insurance in cases where it is essential to the security of the mortgage and found the company was sufficiently protected, except in the case of six mortgages where the company had no fire insurance. The officers agreed to procure insurance in these cases. While the amount of the mortgages, as given in the annual statement, was found correct, a number of errors were made in calculating the accrued and past due interest. The due and accrued interest has been increased by us in the sum of \$317.06. Approximately 5 per cent. of the loans were participating. Some of these are guaranteed as to principal and interest; others are not. However, in either case, a charge of one-half of one per cent. annually on the amount of the mortgage is paid, the company guaranteeing the mortgage, or the parties with whom the company participates. Most of the business of this character is transacted with the County Holding Company, Title Guarantee & Trust Company and the Lawyers' Title Insurance and Trust Company. At the present time the company loans on personal notes, secured by bonds and mortgages, the interest being collected on the note. It is claimed that this simplifies the work of the real estate department, in that it eliminates a great deal of bookkeeping and saves the trouble of refunding interest which it collects for the party with whom it participates. Two mortgages, No. 25405 and No. 25501 are in excess of the market value of the property, as fixed by the appraisal of the department. The excess, together with the interest due and accrued December 31, 1908, amounting in all to \$12,980.09, has been deducted as an asset not admitted.

Collateral Loans

The collateral loans were checked from the records of the company. No collateral loans were in force at the time of the examination. The authorizations for the collateral loans in force December 31 were obtained from the minutes of the Finance Committee's book. Also the loans made and discharged as shown by the schedules in the statement were verified. We checked the original receipts in the hands of the company showing the collateral turned over to it.

Bonds and Stocks

We counted the bonds and examined the certificates of stock, reconciling the same with transactions occurring between December 31, 1908, and the date of the examination. The schedules of bonds and stocks were checked and the data contained therein were found correct. We checked the purchases with the original vouchers and the authorizations in the minute book of the finance committee. The bonds and stocks disposed of were checked in the same way.

For bonds and stocks required to be sold, see "Sale of Investments Required by Law."

Policy Loans

The company began making loans to policyholders of every class at the time that it began to issue policies containing loan values, thereby extending the loan privilege to previous policyholders. They were granted on a basis of a cash surrender value at the due date of the note which, as a rule, corresponds with the due date of the next annual premium. Five per cent. interest is charged in all cases, generally payable in advance.

We checked the loan agreements with the policies, the applications for extensions and payments on account. The company lists its loan cards when it is desired to verify the ledger account. These lists made December 31, 1908, were tested and verified and found practically correct. In the examination of these loans, where the loan has been terminated at the date of the examination, this fact was evidenced, either by the papers showing the payment, or the cancellation of the policy and loan.

Cash

The cash in banks was verified by certificates from the banks and reconciled with the accounts of the company. The cash in the home office of the company was counted at the opening of business January 2, 1909.

Non-Ledger Assets

Interest due and accrued was checked and verified and the schedules containing the details were found to be correct, except as to accrued interest on mortgages above referred to. We also give credit to the company for market value of bonds, stocks and real estate over book value. Under "Assets Not Admitted," the company deducts the net amount of agents' balances, \$95,003.20, instead of the gross debit balances, which amount to \$153,212.83.

LIABILITIES

Reserve

We made a most careful check of the records in the actuary's department for the purpose of verifying the schedules filed with the department for the purpose of making a valuation.

Company's Method

When policies are issued the entry is made in a general register, the application is filed, cards containing the necessary information are made in duplicate and sent to the actuary and premium record departments. In the former, the facts are entered in the actuarial register in numerical order and also in dividend books, according to the date, kind, age and dividend period of each policy. In the latter, the facts are entered on premium cards which are kept in boxes according to the agencies of collection. Any changes that come to the notice of the collection department are sent to the actuaries' department and such change is noted in the register and dividend book. From the dividend books there is made up a balance sheet containing the number of policies and the amount of insurance under each year, kind, age and dividend provision. Changes are noted on this sheet for the first nine months of the year and the figures of September 30th are copied on department

sheets and sent to Albany. All changes in the last three months are then entered on the balance sheets and the department sheets and the final figures are carried forward to the next year. These changes are noted from cards furnished by the comptroller and the totals compared with the net totals in the dividend books.

Legal Policy Reserve

In this examination the dividend books (119 in number) were examined, the additions were tested from time to time and also the changes of the last three months of 1908 and every total was checked into the department sheets. Such policies as contained peculiar "return" or "annuity" features are also carried on subsidiary department sheets for the purpose of calculating the additional amount of reserve required: These sheets were checked for the amount of such return or annuity.

Additions

The paid up additions purchased by dividends were tested both as to the amount of the dividend additions, as found under the separate policies in the dividend book, and also as to the correctness of the copying of the totals into the department sheets.

Extra Reserve

Some kinds of policies issued since 1898 guarantee surrender values in excess of the legal minimum reserve, and extra reserves are held for these excess values. These policies are of certain dividend periods only and the total amounts insured having already been carried in to the department sheets, it was only necessary to test the accuracy of the copying of the individual entries. This test was made for one year.

Extra Reserve Set Up Voluntarily For Tropical Risks

The extra reserve carried for tropical and semi-tropical risks was tested by inspection. In the later years these policies are carried separately on the department sheets.

Annuities

The annuities are carried from the annuity registers into sheets giving the year of birth, the sex of the annuitant, the amount of

the annuity and the reserve percentage. A thorough test was made of the accuracy of the amounts and ages and the additions under the various years and the final totals were all checked into the department sheets.

Deductions of Business "Not Yet in Force"

The business not yet in force was tested by the addition of the premium cards from which the schedule had been prepared and the total was found to agree with the total reported.

Reinsurance

The reinsurance was checked from the reinsurance register.

Test of Accuracy

After making this check into the department sheets, the accuracy of the books was tested by the following comparison: Over 12,000 original applications selected from the various years of business from the earlier applications to those of recent date were examined, and it was ascertained that the insurance was carried upon the registers in accordance with the terms of the applications or as modified by subsequent correspondence filed therewith. The actuarial registers were compared with the dividend books to see that the policies were carried under the appropriate description. This test covered the entire business of the years 1844 to 1864, 1881, 1882, 1886 and a partial test of one age and kind in 1905, together with the incidental following up of any individual policy over which there might be some question. In order to ascertain that all policies now in force are so carried on the register, one large agency (Boston) was examined, and every premium card was compared with the actuary's register, all such being found on the books as "in force," with two or three exceptions which were noted and corrected.

Death Claims and Matured Endowments

We made a check of the company's report covering the items of outstanding death claims and matured endowments. We found that papers on file with the claim papers in a great many cases

showed that the company should have had notice of the claim prior to January 1, 1909. The claims did not go upon the company's records until after that date, and the company, therefore, understated its liabilities to the amount of these claims, namely, \$417,123.66 less \$180,574.00, the amount of the reserve upon the policies so terminated. In addition to this, there were death claims occurring in 1908 where the company did not have anything to indicate that it could have ascertained the fact of the death prior to January 1, 1909. The amount of these claims was \$535,003.98 and the reserve upon the same \$201,389.00, making a net liability of \$333,614.98, that the company took no account of in its annual statement. A reserve for losses occurring during the year of which the company has had no notice has been established in 1909.

Cost of Collection, on Uncollected and Deferred Premiums in Excess of the Loading

Under this item, we have charged as a liability the full amount of the excess on new business. The commissions paid on new premiums averaged 42½ per cent. of the amount collected. In determining the excess we have used the same percentage.

Miscellaneous Items

We checked the other items of liability and found them correct.

Deferred Dividends

A large portion of the business of the company is under the deferred dividend plan. For that reason it must and has kept account from which it can be ascertained what funds should be set aside to meet the dividends to be apportioned in the future. The company therefore entered as a special reserve the amount of this fund, \$69,675,127.53. The amount set aside for dividends payable in 1909 was \$9,607,634.38.

METHOD OF CALCULATING DIVIDENDS

Annual Dividends

The company uses what is known as a two-factor method in computing its annual dividends. The first is the excess of investment

earning over the tabular rate of interest and is applied to the reserve. The other includes gains from other sources and is treated as a profit to be apportioned in proportion to the loading and varies between the different years of the policies' existence. Non-premium paying policies receive a dividend under only the first factor above mentioned. The interest rate assumed in the computation of the dividends for 1906, 1907, 1908 and 1909, are as follows: 1906, 4 1-10; 1907, 4 2-10; 1908, 4 4-10; 1909, 4 4-10.

Deferred Dividends

In computing the deferred dividends, the company first accumulates the annual dividends which existing deferred dividend policies would have received in the various years of the dividend period, if they had been annual dividend policies. These accumulations are increased each year to the end of the dividend period at the various rates of interest used by the company in ascertaining its annual dividends. Second, the company accumulates at interest the annual dividends, which would have been allotted to deferred dividend policies had they been annual dividend contracts, which have terminated during their dividend period by death, surrender or lapse in the same way as in the first case. Two funds are therefore accumulated for the policies issued each year, known as accumulated annual dividend fund and the foreborne dividend fund. The first fund is distributed among the policies in accordance with their respective accumulations. The second, or foreborne fund, is distributed among the surviving policies in accordance with the risks of lapse and death for which they should be compensated. The risk of forfeiture by surrender or lapse is compensated for by using a constant factor applied to each policy's accumulated annual dividends. The risk of forfeiture by death is compensated for by a factor varying with the tabular mortality. The factors for the years 1906 to 1909 inclusive on twenty year distribution policies, paying not less than twenty premiums, given in percentage of the accumulated annual dividends, are as follows; the variable factor being given for ages 25 and 55:

Year	Constant factor	Variable factors	
		Age 25	Age 55
1906.....	25%	8.4672%	46.8018%
1907.....	20%	10.3488%	57.2022%
1908.....	19%	8.4672%	46.8018%
1909.....	21%	8.4672%	46.8018%

We are satisfied that the method is fair as between policyholders. Since 1905, the Company has earned approximately \$15,000,000 over and above the amount distributed as, or set aside for, dividends. This surplus income has been used to meet depreciation in values of real estate and securities and to increase the contingency reserve.

We herewith give the principal gains for the years 1906, 1907 and 1908, together with the amount of surplus distributed in dividends or credited to dividend funds:

1906

Gains from loadings	\$2,927,767 00	
Gains from interest.....	5,276,423 54	
Gains from mortality.....	4,324,700 19	
Gains from surrender.....	3,150,367 51	
Total		\$15,679,267 24
Dividend declared	\$4,030,000 00	
Increase in special fund.....	5,016,903 70	
Total		9,046,903 70
Balance		\$6,632,363 54

1907

Gains from loadings	\$4,175,711 86	
Gains from interest	6,455,856 48	
Gains from mortality	2,537,092 42	
Gains from surrender	1,941,198 69	
Total		\$15,109,859 45
Dividend declared	\$8,311,002 02	
Increase in deferred dividend fund	2,447,818 98	
Total		10,758,821 00
Balance		4,351,038 45

1908

Gains from loadings	\$4,858,145 71	
Gains from interest	7,120,686 73	
Gains from mortality	3,576,686 18	
Gains from surrender	1,506,392 44	
	<hr/>	
Total	\$17,061,911 06	
Dividend declared	\$11,092,282 38	
Increase in deferred dividend fund	2,697,778 85	
	<hr/>	
Total	13,790,061 23	
	<hr/>	
Balance		\$3,271,849 83
		<hr/>
Grand total of balances		\$14,255,251 82
Other gains aside from above, not including changes in market value, amount net to		1,332,034 31
		<hr/>
Total		\$15,587,286 13
		<hr/> <hr/>

The method of deferred dividend accounting used by this company makes it possible to transfer policies from the deferred to the annual dividend class without injustice to other policyholders. This for the reason that the only loss will be to the policyholder making the change. He loses his portion of the accumulated Foreborne Fund, which is held for the survivors, and receives simply his accumulated annual dividends without interest. The company had for some time previous to this examination allowed policyholders to thus change their policies where they appeared to be dissatisfied. From an examination of their records regarding these changed policies, in conjunction with those of the new issues of the company, we became satisfied that at least a few of the company's agents were securing new business in connection with the change. Whether this was used by the agent as an inducement to the policyholder does not appear, but certainly it seems to your examiners that the method of having the plan in this regard brought to the attention of the policyholders by the agent alone was unfair. Since our investigation, the company has in its publication, which goes to all policyholders, printed the following:

"Notice to the Holders of Deferred Dividend Policies"

"The company is prepared to change certain deferred dividend policies to the annual dividend plan as from the original dates of issuance. The company does not recommend such changes, especially if the policy has been in force for any considerable number of years, and advises strongly against such changes if the policy was issued prior to January 1, 1899. The conditions on which such changes can be made are set forth in the leaflet, which can be obtained from the Manager to whom the premium is payable."

The leaflet mentioned reads as follows:

"The Mutual Life Insurance Company of New York"

"Deferred dividend policies issued after December 31, 1898.

"The Company does not advise any policyholder to exchange a long term distribution, that is a 'deferred dividend,' policy for one with annual dividends, but it is prepared to make such change as from original date of issuance for those who desire it, provided (1) the insured is found to be insurable after medical examination by one of the Company's regular medical examiners (free of expense to the Company) and (2) the insured understands and agrees that he be placed in the same position from the date of change in all respects (including guarantees and dividends) as if he had originally taken out an annual dividend policy.

"The annual dividend policy issued in exchange is the contract which would have been issued had the insured originally taken an annual dividend policy, and contains the guarantees and other provisions of the annual dividend form and not those of the long term distribution form; the premium, however, is the same. The policy is credited with the annual dividends with which it would have been credited had it been originally an annual dividend contract. The dividends, both those credited for the past years and those of the future, are in the form of additional insurance; those of the past have a cash value only if applied towards the payment of premiums on the same policy, while those of the future will have a cash value which can be drawn at the time of allotment, or be applied at any time towards the payment of premiums on the policy.

"The advantage of the annual dividend policy is either (1) increased insurance if the dividend additions are allowed to remain to the credit of the policy, (2) or reduced cost if the cash values of the dividends are used towards payment of premiums.

"The disadvantages of the annual dividend policy are (1) that in some cases it has smaller paid-up values (the extended insur-

ance values are always the same) and that it has smaller guaranteed cash and loan values than those of the 15 and 20 year distribution policies, necessitating the repayment of part of the loan in some cases, and (2) that the annual dividend policy gets the annual dividends but neither the 'interest' nor the 'compensation' referred to in the following note. The advantage, however, of this interest and compensation in the case of 15 and 20 year distribution policies is offset by the deduction mentioned in the note.

"NOTE.— The deferred dividends are calculated (1) by taking the cash values of the annual dividends which the policy would have received had it been an annual dividend policy, (2) by accumulating these annual dividends at compound interest (at the various annual dividend rates) to the end of the dividend period, (3) by increasing the amount of such accumulated annual dividends by percentages, varying with the age of the insured, as compensation for the risk run of losing surplus during the distribution period by death, discontinuance or otherwise, and (4) in the case of 15 and 20 year dividend policies, by reducing from the result of this calculation an amount equal to the excess of the guaranteed cash value of the policy at the end of the dividend period over the amount of the American $3\frac{1}{2}\%$ reserve for an annual dividend policy; no such excess exists in the case of 15 and 20 year endowments.

"It is not necessary to take out new insurance in order to have this change made. The same medical examination, however, can be used to obtain new insurance at the same time, so that it is a question for those policyholders who make the exchange and who intend to use the cash values of future annual dividends towards payment of premiums, whether it may not be to their advantage to increase their insurance by applying the amount thus saved towards purchasing new insurance. The two transactions, however, are entirely independent.

"The Company does not advise such changes, especially when the policy has been in force for a considerable number of years. For policies issued before 1899, the Company advises strongly against such change, and will only consider it after special correspondence with the policyholder."

Surrender Values

The company gives cash values on all its policies which do not provide for this privilege. The basis of the computation upon which the company makes its surrender is as follows: The company first converts the policy to paid-up insurance, making a sur-

surrender charge therefor. This paid-up insurance is then surrendered for a cash value in accordance with a table of cash factors which, in effect, makes another surrender charge. We attach hereto a table which gives examples of surrenders during the last two years. We have selected the three principal kinds of insurance, namely, ordinary life, twenty-payment life and twenty year endowment for issues in various years. The reserve which the company maintained on the policy, together with the actual cash given, is set forth in the table.

Resisted Claims

Several contested claims were found which the company did not report in the schedule calling for the same in the annual statement. The legal department has agreed to correct the practice which caused the omissions.

McCurdy Suits

After the legislative investigation of 1905 and the investigation later by the Truesdale Committee of the Board of Trustees, the company, acting under the advice of Hon. Joseph H. Choate, brought a number of suits against former President McCurdy, former officers and others, for waste of the company's assets, as disclosed by those investigations. In February, 1909, these suits not having reached any determination, a committee, consisting of Trustees General Benjamin F. Tracy, lawyer; Edwin S. Marston, President of the Farmers' Loan & Trust Company; H. Rieman Duval, President of the American Beet Sugar Company; Henry W. Taft, of Strong & Cadwalader, and Frederick H. Eaton, President of the American Car and Foundry Company, together with Messrs. Joseph H. Choate and James McKeen, the counsel having the matters in charge, made the following report:

"NEW YORK, February 23, 1909.

"To the Board of Trustees of The Mutual Life Insurance Company of New York:

"Your special committee appointed at the meeting of January 27th, 1909, with power to consider and act upon any propositions looking to the settlement of the pending suits against

former officers of the company and others for waste of the company's assets, as disclosed by the investigation of the Armstrong Committee of the Legislature and of the Truesdale Committee of this Board, beg leave to report as follows:

"Under the advice of Honorable Joseph H. Choate, who was especially retained in the matter of these claims by the Board, seven separate actions at law have been brought and, at the time of your committee's appointment, were pending. These actions were against the former President of the Company, one of its former Vice-Presidents, the former general agents of the Metropolitan District, the former Superintendent of foreign agencies, and the former superintendent of supplies, and against the stationer from whom chiefly supplies had been purchased for many years. In several of these actions at law various of the defendants were joined, some of these being defendants in several different actions and in very many of the complaints many causes of action were joined. Besides these actions at law, five actions in equity had been brought and were pending, seeking accountings from the trustees who had acted as members of the committee on expenditures and from the legal representatives of those not living and also from the former President and one of the former Vice-Presidents and from the former Superintendent of the Supply Department. The aggregate amounts claimed in the complaints in the actions at law exceeded six million dollars, these claims being for unliquidated damages. There were duplications of many of the claims in the different actions, many of the defendants being claimed to be liable for the same items of damage. The accountings sought in the equitable actions were chiefly for what has been known as the 'Confidential Fund,' several of the defendants in the actions at law being also claimed to be liable for the creation of this fund as a waste of the company's assets. After allowance for the various duplications and after limiting the amounts claimed to causes of action which had accrued within the six years statute of limitations, the face of the claims somewhat exceeded three million dollars. This sum, however, will be still further reduced in case the three years statute of limitations pleaded by all of the trustees who were defendants, should be held applicable. The amounts claimed in the complaints were, of course, intended to cover all that the company could hope to establish. In many of the cases where claims were duplicated it was contended by the defendants that the company was bound by its election of some one theory of recovery, to at any rate that it would be bound to make such election before going to trial.

"In many of the actions demurrers have been interposed and various dilatory motions have been made and various appeals

have been taken to the Appellate Division and there argued. In most instances the company has been successful in these preliminary proceedings. None of the cases have been reached for a hearing in court upon the merits. For a considerable time negotiations have been pending for a settlement. The cases were so interconnected, that it was found practically impossible to deal with them separately. About the time of your committee's appointment, a definite proposition had been made looking to a settlement of all the cases for seven hundred and fifty thousand dollars in cash or its equivalent, there being a further understanding that in addition to this a claim of \$65,050.73 against the company on which an action had been brought by L. W. Lawrence for supplies delivered but not paid for, was pending, would be released. This claim has been carried as a disputed item of liability but the company had substantially no defense to it except by way of counterclaim for alleged overcharges in previous dealings, for which the company had brought an action at law, as above stated. A settlement of the latter claim, of course, involved a concession of the company's liability for the claim of \$65,050.73. Pending the litigation the company has withheld the renewal commissions of the former Metropolitan agents and of the former superintendent of the foreign department. These commissions have been carried as items of liability on the company's books and in its annual statement. The company could not maintain actions to rescind the contracts having retained the benefits from them and of course, could not dispute its liability for these commissions and the commissions on future renewals after a settlement of the claim made that former payments had been improvident. In fact, the claim that these obligations were improvidently created was a chief item of damage claimed in the principal action at law against the former President of the company.

"After a very careful consideration of the whole situation, your committee reached the unanimous conclusion that an acceptance of the proposed offer of compromise would be for the best interests of the company and of its policyholders and we accordingly authorized the President of the Company to accept the proposition and make a settlement on the basis of it, involving releases of the defendants and a discontinuance of the various actions. While judgments for larger amounts might possibly have been recovered, such a result would only come after a protracted litigation. We were advised that in view of the many perplexities incident to the situation; in view of the death of several very material witnesses, and of the doubtful responsibility of some of the defendants; an actual realization of a million dollars would have been regarded as a substantially successful ultimate result

of the litigation. The litigation would have inevitably been very protracted and would have engaged the active efforts of many of the company's present officers very greatly to the detriment of the company's business. As an incident of the settlement of the future commissions of the former Metropolitan agents and the former superintendent of the foreign department have been commuted upon the formula ordinarily used in such cases which experience has proved to be advantageous for the company. As a net result of the settlement, the company's surplus has been increased above the amount shown in the December balance sheet by \$750,000 and in addition, the claim against the company of \$65,050.73 which has become an item of liability has been released.

" (Signed) BENJAMIN F. TRACY,
 " EDWIN S. MARSTON,
 " H. R. DUVAL,
 " HENRY W. TAFT,
 " FREDERICK H. EATON.

" We approve the above settlement as made by the president of the company pursuant to the authorization of the special committee.

" Dated, New York, February 24, 1909.

" (Signed) JOSEPH H. CHOATE,
 " JAMES McKEEN."

Acting upon this report, the company made a settlement of the suits, which resulted as follows to the company:

The company settled the Chas. H. Raymond & Co. account by paying the difference be- tween		\$656,527 97
and		250,000 00
		<hr/>
Balance		\$406,527 97
The company settled the Robt. McCurdy account by paying the difference between.		\$330,821 53
and		250,000 00
		<hr/>
Balance		80,821 53
		<hr/>
This makes a total disbursement of		\$487,349 50
The company received from R. A. McCurdy, cash		250,000 00
		<hr/>
Balance		\$237,349 50
		<hr/> <hr/>

In other words, the company actually paid out more than it received in cash in the final settlement of these claims, the sum of

\$237,349.50. Whether the settlement made by the company was advantageous or not, the fact is that the settlement was made upon a statement of facts by the committee which is untrue in at least two particulars, and deceptive in one more; namely: First, the committee makes this statement: "After allowance for the various duplications and after limiting the amounts claimed to the causes of action which had accrued within the six years statute of limitations, the face of the claims somewhat exceeded three million dollars." The fact is that the amount, even according to the figures which the committee had, was \$3,932,810.63 and the settlement in addition involved several hundred thousand dollars of commissions accrued and to accrue under the claimed "Wasteful Contracts." Second, the committee stated that "As a net result of the settlement the company's surplus has been increased above the amount shown in the December sheet by \$750,000." As an actual fact the surplus was increased by only \$438,235.47 for the reason that the commuted value of the future commissions on the contract above referred to was not charged as a liability. Third, the statement that "The aggregate amount claimed in the complaints in the actions at law exceeded six million dollars, these claims being for unliquidated damages," is deceptive, in that this implies at least that approximately six million dollars of claims were settled for \$750,000, when actually if the company had a cause of action on account of the improvident contracts it certainly was entitled to damages on account of further payment for which it was liable under the contracts as well as for amounts paid which would bring the amount involved in the settlement to approximately \$7,700,000.

It seems to us that either the committee did not know the facts, or purposely misled the Board of Directors.

Advances to Agents

During the year 1906 the company advanced large sums to soliciting agents. This was following the practice in vogue prior to that time and which was practically discontinued on January 1, 1907. The increase in the advances to agents made during the year 1906 amounted to \$443,020.04. The increases and the amounts of new insurance paid for by quarters were as follows:

	Net increase in advances	Amount of business paid for
First	\$93,232 17	\$22,351,831 00
Second	88,366 64	19,056,457 00
Third	73,590 02	17,811,340 06
Fourth	187,831 21	27,036,346 00
	<hr/> \$443,020 04 <hr/>	<hr/> \$86,255,974 00 <hr/>

This shows that the largest part of these were made during the last quarter of the year.

The by-laws of the company, under section XXI, provide that the Committee on Insurance and Agencies "shall regulate the amounts to be advanced to contract agents on account of premium commissions and limit the aggregate amount to be so advanced." The records of this committee show the following for 1906 regarding advances:

June 12, 1906 — Fixed limit at \$625,000.

June 21, 1906 — Authorized \$25,000 to be written off.

Sept. 13, 1906 — Extended limit to \$675,000.

Oct. 4, 1906 — Authorized \$200,000 to be written off and limit reduced by amount written off (\$177,980.94 was written off reducing the limit to \$497,019.06).

Dec. 31, 1906 — Agents' advances amounted to \$665,370.99.

From the above, it appears that during the last quarter of 1906 there was expended \$168,351.93 more than the limit authorized by the Committee on Insurance and Agencies, as shown by the minutes. In the following year this committee authorized the writing off of practically all of these advances as uncollectible.

The members of the Committee on Insurance and Agencies during the last quarter of 1906 were Dumont Clarke, Julien T. Davies, William P. Dixon, and William H. Truesdale.

Election of Trustees in 1906

The election of trustees under the legislation of 1906 was held during the time that the above unauthorized expenditures were made.

We made some inquiries to find out if the company's funds were used for election expenses. While these inquiries developed some facts and indicated that some of the agents who received ad-

vances spent some of the time paid for by the company working in the campaign for the election of directors, we do not find that there was such concerted action by the company's agency organization as to hold the officers responsible therefor.

Armstrong Laws

The company has, in the main, complied in good faith with the legislation enacted in 1906, except in one particular, that being with regard to expenditures made and reported by the company as being disbursements for the care and supervision of business established prior to 1907, for which the company during 1908 expended \$354,144.09. This amount was disbursed to soliciting agents according to statement of the company's officers, as compensation for services in preventing policyholders from surrendering policies, and for generally assisting the managers in the care and supervision of old business.

An investigation was made with the view of determining what service was rendered for the amounts received, and to determine if all or any part of the amount was expended to obtain new business. No details are kept in the home office other than the receipted vouchers, which do not show what service was actually performed. We, therefore, made an investigation of three branch offices of the company in order to ascertain for what purpose this salary was paid. In only one office did we find a complete record of what various agents did for this salary. One office had a partial record, and the third had no record whatever. In the office where a complete record is kept of assignments to agents of work relating to old policies, it is shown that one agent had forty assignments and received no salary, while another agent had thirty-four assignments and received seventeen hundred dollars (\$1,700) salary. Another agent received fifty dollars (\$50) salary and had one hundred and three assignments, while another agent who had eighty-seven assignments received twenty-one hundred dollars (\$2,100) salary. One agent received a salary of six hundred and thirty-three dollars (\$633) to look after six assignments, while another agent looked after forty-three for one hundred dollars (\$100). In addition to this, every card showed that the agents reported what the chances were for writing new business.

We are of the opinion that a part, at least, of this expenditure was made for the purpose of securing new business, although the company's records do not show this to be a fact. It is proper to state that there was an unspent balance of \$132,475.53 within the limit of the law which the company could properly have spent for acquiring new business.

We are also of the opinion that a record should be established to clearly show what each recipient of money alleged to be paid for the care and supervision of old business has done to earn his salary,—this in order that it may be readily determined whether or no the expenditure is for new or old business.

SALE OF INVESTMENTS REQUIRED BY LAW

Stocks

The following is a table of the stocks owned December 31, 1906, the amount sold during 1907 and 1908 and the amount held December 31, 1908:

	Amount par value	Sold
1906	\$29,979,100 00	.....
1907	*29,736,900 00	\$386,200 00
1908	29,506,900 00	230,000 00

* \$144,000 stock of the Chemical National Bank was acquired through readjustment of capital, no payment being made by the company.

Bonds

We herewith give a table showing the amount of bonds held by the company December 31, 1908, which would not be a legal investment if purchased now, and which were acquired March 1, 1906, and prior, and also those which were acquired after that date. The law requires that the latter must be disposed of within five years from December 31, 1906. We also show the amount of each class disposed of in 1907 and 1908.

	Acquired March 1, 1906, and prior. (Not required to be sold)	Acquired after March 1, 1906. (Required to be sold)
1906.		
Par value of amount owned, Dec. 31, 1906..	\$56,517,500 00	\$1,230,000 00
1907.		
Par value of amount sold in 1907.....	740,000 00	.....
Par value of amount owned, Dec. 31, 1907..	\$55,777,500 00	\$1,230,000 00

1908.		
Par value of amount sold in 1908.....	\$985,000 00	\$100,000 00
	<hr/>	<hr/>
	\$54,792,500 00	\$1,130,000 00
Par value of amount acquired in 1908.....	.....	*250,000 00
	<hr/>	<hr/>
Par value of amount owned, Dec. 31, 1908..	\$54,792,500 00	\$1,380,000 00
	<hr/>	<hr/>

*Lehigh Valley Railroad General Consolidated 4%, 2003. It has been held by the Department that these bonds are not a legal investment.

Real Estate

We give the real estate acquired by foreclosure prior to 1906, as per company's schedule of December 31, 1906; also amount of same disposed of during 1907 and 1908 and amount of same held December 31, 1908.

1906	Cost
Acquired by foreclosure prior to 1906, per company's schedule.	\$1,756,786 21
Sold during 1907 and 1908, per company's schedules.....	337,993 97
	<hr/>
1908	
Remainder, per company's schedule.....	\$1,395,843 75
	<hr/>

RESULT OF BUSINESS SINCE 1904

Increase in Assets

We give herewith comparison of ledger assets for the years 1904 to 1908 inclusive, showing increase and percentage of increase:

<i>Ledger Assets</i>			
	Amount	Increase	
Dec. 31, 1904.....	\$408,293,315 73	.....	.....
Dec. 31, 1905.....	437,385,341 34	\$29,092,025 61	7.12%
Dec. 31, 1906.....	470,087,987 03	32,702,645 69	7.45%
Dec. 31, 1907.....	495,158,421 46	25,070,434 43	5.33%
Dec. 31, 1908.....	515,282,177 30	20,123,755 84	4.06%
	<hr/>	<hr/>	<hr/>

Expenses

We herewith give a table showing gross disbursements for expenses for the years 1904 to 1908 inclusive, and the decrease each year with percentage of decrease:

	Gross expenses paid (except real estate and profit and loss)	Decrease	
1904	\$15,720,901 06	.....	.....
1905	14,370,439 97	\$1,350,461 09	8.59%
1906	9,930,251 78	4,440,188 19	30.39%
1907	7,783,868 22	2,146,383 56	21.81%
1908	7,451,186 55	332,681 67	4.27%

Salaries

We herewith give a table showing salaries of officers and home office employees for the years 1904 to 1908 inclusive, together with increase or decrease and percentage of same:

	Amount	Increase	Decrease	
1904	\$1,469,032 70	.....	.....	.....
1905	1,542,809 46	\$73,576 76	.....	5.00%
1906	1,265,318 12	.....	\$277,291 34	17.97%
1907	1,200,789 89	.....	64,528 23	5.09%
1908	1,195,943 54	.....	4,846 35	.48%

Legal Expenses

We submit a table showing legal expenses for the years 1904 to 1908 inclusive, together with increase or decrease and percentage of the same:

	Amount	Increase	Decrease	
1904	\$284,280 35	.....	.....	.....
1905	228,188 34	.....	\$56,092 01	19.73%
1906	100,196 28	.....	127,992 06	56.09%
1907	185,516 59	\$85,320 31	.....	85.15%
1908	69,313 30	.....	116,203 29	62.63%

Legislative Expenses

We give a table of legislative expenses for the years 1906 to 1908 inclusive, together with increase or decrease and percentage of same:

	Amount	Increase	Decrease	
1906	\$21,027 32	.....	.....	.....
1907	23,814 01	\$2,786 69	.....	13.25%
1908	7,613 58	.....	\$16,200 43	68.29%

Supplies

We give herewith a table showing disbursements for supplies in the years 1904 to 1908 inclusive, together with increase or decrease and percentage of same:

	Amount	Increase	Decrease	
1904	\$601,101 21	.....	.....	.....
1905	503,508 97	.....	\$97,592 24	16.23%
1906	144,865 75	.....	358,643 22	71.22%
1907	175,517 00	\$30,651 25	.....	21.15%
1908	150,098 80	.....	25,418 20	14.48%

Commissions on New Business

(Insurance)

We submit a table showing gross premiums and commissions on new business, together with percentages of commissions to premiums for each year, 1904 to 1908 inclusive:

	Gross premiums	Commissions	Ratio com. to premiums
1904	\$9,174,269 20	\$6,558 867 78	71.49%
1905	7,353,073 71	5,256,871 78	71.49%
1906	3,503,472 04	2,472,553 45	75.74%
1907	1,725,879 88	780,111 25	45.20%
1908	2,853,173 94	1,212,792 08	42.50%

Renewal Commissions

(Insurance)

We give herewith a table showing renewal premiums, renewal commissions, together with percentages of commissions to premiums for the years 1904 to 1908 inclusive:

	Gross premiums	Commissions	Ratio com. to premiums
1904	\$48,220,757 06	\$1,854,393 29	3.94%
1905	50,930,393 25	1,687,779 07	3.31%
1906	51,651,067 70	1,290,655 08	2.49%
1907	50,246,679 53	1,003,308 14	1.99%
1908	48,099,209 35	793,956 24	1.65%

Dividends Paid

We give a table showing dividends paid to policyholders during the years 1904 to 1908 inclusive, together with percentage of in-

crease each year. We give in another portion of the report the increase of the Deferred Dividend Fund during the years 1906, 1907 and 1908.

	Amount	Increase	
1904	\$2,674,206 87		
1905	2,758,003 99	\$83,797 12	3.13%
1906	2,785,919 15	27,915 16	1.01%
1907	4,321,493 34	*1,535,574 19	55.15%
1908	8,311,255 89	*3,989,762 55	92.32%

*The increases of 1907 and 1908 are due largely to the increase in number of deferred dividend policies reaching the distribution period.

Profit and Loss on Assets

We give herewith two tables, one showing net gains on sale or maturity of ledger assets, the other showing loss on account of adjustments of real estate:

Sale or Maturity of Ledger Assets

1904	\$1,036,410 00	Net gain.
1905	2,342,012 01	Net gain.
1906	1,139,134 12	Net gain.
1907	716,965 07	Net gain.
1908	605,295 14	Net gain.

Adjustment of Real Estate Values

1904	\$1,047,625 47	Net loss.
1905	5,000,000 00	Net loss.
1906		
1907	881,165 81	Net loss.
1908	3,364,702 10	Net loss.

Income from Investments

We give a table showing net income earned during each year, with rate, also interest required to maintain reserve, with percentage of same to reserve.

	Income earned	Average rate on mean in- vested assets	Interest required to maintain reserve	Average rate on total reserve
1906	\$20,184,136 00	4.471%	\$14,907,702 06	3.68%
1907	21,923,177 01	4.574%	15,467,320 53	3.68%
1908	23,065,722 73	4.602%	15,945,036 00	3.68%

Income from Stocks, Bonds and Real Estate

We give a table showing income from stocks and bonds, and also net income from real estate, together with the average rate of earning for the years 1904 to 1908 inclusive:

	Stocks and bonds	Average rate	Real estate	Average rate
1904	\$9,858,501 24	4.74%	\$681,289 09	1.98%
1905	10,779,049 81	4.71%	786,128 57	2.39%
1906	12,195,897 16	4.65%	834,416 71	2.70%
1907	12,511,611 33	4.63%	829,540 78	2.81%
1908	12,880,587 92	4.61%	832,753 66	2.98%

In the case of stocks and bonds, no allowance has been made for investment expenses.

Collateral Loans

We give a table of collateral loans at the beginning of each year, the amount of loans made, amount terminated and amount at the end of each year for the years 1906, 1907 and 1908:

	Loans in force January 1	Loans made	Loans discharged	Loans in force December 31
1906....	\$18,195,000 00	\$19,550,000 00	\$27,145,000 00	\$10,600,000 00
1907....	10,600,000 00	15,895,000 00	14,690,000 00	11,805,000 00
1908....	11,805,000 00	7,600,000 00	16,905,000 00	2,500,000 00

Advertising

We give a table showing the amount spent for advertising for the years 1904 to 1908 inclusive, with decrease or increase and the percentages of same:

	Amount	Increase	Decrease
1904	\$329,797 02		
1905	309,208 38		\$20,588 64 6.24%
1906	217,496 24		91,712 14 29.66%
1907	228,539 33	\$11,043 09	5.07%
1908	65,709 40		152,829 93 66.87%

Audits and Examinations

We give a table showing the amounts paid for audits and examinations for the years 1905 to 1908 inclusive, together with the increase or decrease and the percentage of same:

	Amount	Increase	Decrease	
1905	\$1,126 12	.....	.....	.....
1906	282,124 56	\$280,998 44	.....	24,952.1
1907	20,902 17	.....	\$261,222 39	92.59%
1908	9,752 04	.....	11,150 13	53.34%

Taxes and Fees Other Than Real Estate

We give a table showing amounts paid in taxes and fees, other than real estate, for the years 1904 to 1908 inclusive, together with the ratio of same to premium income.

	Total premium income	Taxes and fees	Ratio
1904	\$62,932,097 10	\$809,964 02	1.28%
1905	62,978,215 57	779,189 15	1.23%
1906	58,317,866 55	783,740 76	1.34%
1907	56,639,200 20	768,616 40	1.35%
1908	58,994,653 29	725,903 14	1.23%

Agents' Balances Charged Off

We give a table showing agents' balances charged off, together with increase or decrease and percentages of same:

	Amount	Increase	Decrease	
1904	\$175,116 00	.....	.....	.....
1905	337,925 94	\$162,809 94	.....	92.97%
1906	309,733 96	.....	\$28,191 98	8.34%
1907	619,807 97	310,074 01	.....	100.11%
1908	51,398 31	.....	568,409 66	91.70%

Deferred Dividend Fund

We give a table showing the amount of the deferred Dividend Fund each year for the years 1906, 1907 and 1908, together with the increase each year and the percentage of increase:

	Amount	Increase	
1906	\$64,529,529 70	\$5,016,903 70	.....
1907	66,977,348 68	*2,447,818 98	3.76%
1908	69,675,127 53	*2,697,778 85	4.02%

* Smaller increase due to increase in number of deferred dividend policies reaching the end of their dividend periods.

Death Claims Paid

We give herewith a table showing the death claims paid for the years 1904 to 1908 inclusive, the increase or decrease each year and the percentage of same:

	Amount	Increase	Decrease	
1904	\$21,100,226 80	.....	.....	.....
1905	20,926,067 58	.....	\$174,159 22	.82%
1906	21,034,050 96	\$107,983 38	.....	.51%
1907	23,294,032 81	2,259,981 85	.....	10.74%
1908	21,664,819 77	.....	1,629,213 04	6.99%

Matured Endowments

We submit also a table showing the amount of matured endowments paid during the years 1904 to 1908 inclusive, with the amount of increase and percentage of increase:

	Amount	Increase	
1904	\$4,572,002 53	.....	.....
1905	4,628,761 33	\$56,758 80	1.24%
1906	4,710,548 22	81.786 89	1.76%
1907	5,075,596 91	365.048 69	7.74%
1908	5,140,930 60	65.333 69	1.28%

Dividends

We give a table showing (1) the premiums on ordinary life and twenty year endowment policies at the age of thirty-five, issued in the years 1890, 1895, 1900 and 1903, and the annual dividends paid in 1905 to 1908 inclusive; and (2) the annual premiums on similar policies on the twenty year deferred dividend plan and the amount of the annual dividends which such policies would have received, had they been annual dividend policies; accumulated at compound interest to the years 1905 to 1908 inclusive:

(1) Annual Dividend Policies

Date of issue	1905		1906		1907		1908	
	Prem.	Div.	Prem.	Div.	Prem.	Div.	Prem.	Div.
1890	\$27 10	\$4 58	\$27 10	\$5 01	\$27 10	\$6 09	\$27 10	\$7 40
1895	27 10	3 55	27 10	3 98	27 10	4 98	27 10	5 24
1900	27 88	2 86	27 88	3 34	27 88	4 30	27 88	5 26
1903	27 88	2 39	27 88	2 86	27 88	3 64	27 88	4 53

TWENTY-YEAR ENDOWMENT, AGE 35

Date of issue	1905		1906		1907		1908	
	Prem.	Div.	Prem.	Div.	Prem.	Div.	Prem.	Div.
1890	\$50 90	\$7 27	\$50 90	\$7 96	\$50 90	\$10 04	\$50 90	\$12 94
1895	50 90	5 57	50 90	6 25	50 90	8 02	50 90	10 50
1900	52 13	4 77	52 13	5 60	52 13	7 27	52 13	9 13
1905	52 13	3 75	52 13	4 56	52 13	5 89	52 13	7 50

(2) *Twenty-Year Deferred Dividend Policies*

ORDINARY LIFE, AGE 35

Date of issue	1905		1906		1907		1908	
	Prem.	Accum.	Prem.	Accum.	Prem.	Accum.	Prem.	Accum.
1890...	\$27 10	\$100 71	\$27 10	\$109 85	\$27 10	\$120 55	\$27 10	\$133 26
1895...	27 10	43 46	27 10	49 23	27 10	56 27	27 10	64 99
1900...	27 88	15 16	27 88	19 12	27 88	24 22	27 88	30 55
1903...	27 88	4 75	27 88	7 81	27 88	11 78	27 88	16 82

TWENTY-YEAR ENDOWMENT, AGE 35

Date of issue	1905		1906		1907		1908	
	Prem.	Accum.	Prem.	Accum.	Prem.	Accum.	Prem.	Accum.
1890...	\$50 90	\$162 39	\$50 90	\$177 01	\$50 90	\$194 49	\$50 90	\$215 98
1895...	50 90	70 19	50 90	79 31	50 90	90 67	50 90	105 15
1900...	52 13	24 46	52 13	31 07	52 13	39 64	52 13	50 52
1903...	52 13	7 37	52 13	12 24	52 13	18 64	52 13	26 96

Surrendered Policies

ORDINARY LIFE

Date of issue	Age	Policy Number	Amount	Reserve	Cash Value
1870	29	111,998	\$5,000 00	\$2,817 46	\$2,160 00
	32	114,525	2,000 00	1,209 31	954 00
	40	109,798	2,000 00	1,594 24	1,377 00
1875	28	164,403	5,000 00	2,567 66	1,868 00
	45	170,139	5,000 00	4,141 37	3,543 00
1880	27	208,775	5,000 00	1,733 53	1,154 00
	35	215,743	2,000 00	1,031 01	763 00
	45	216,562	1,000 00	571 49	460 00
	55	215,221	2,000 00	1,438 85	1,281 00
1885	25	259,369	1,000 00	270 05	164 00
	34	271,173	10,000 00	3,390 80	2,828 00
	52	264,616	3,000 00	2,253 41	1,979 91
1890	25	423,634	1,000 00	157 85	123 00
	34	426,804	1,000 00	201 57	197 43
	45	427,644	2,000 00	603 32	375 00
	54	430,368	10,000 00	4,618 46	3,503 80
1895	25	690,173	1,000 00	111 55	61 50
	35	701,194	1,212 50	210 38	129 54
	45	725,191	1,000 00	235 75	162 00
	55	738,826	1,461 00	494 79	399 10
1900	25	1,017,834	1,000 00	87 58	75 00 (Guar.)
	35	1,024,090	3,000 00	384 15	330 00 (Guar.)
	45	1,034,952	1,000 00	179 52	154 00 (Guar.)
	55	1,028,334	3,000 00	579 90	426 00 (Guar.)

TWENTY-PAYMENT LIFE

1885	41	282,823	\$5,000 00	\$3,278 50	\$2,751 00
1890	25	434,063	1,000 00	354 33	328 00
	36	397,616	5,000 00	1,974 00	1,686 60
	45	406,956	2,500 00	1,414 93	1,293 00
1895	25	693,818	1,000 00	183 32	129 00
	35	683,338	10,000 00	2,930 70	2,166 00
	45	712,144	2,000 00	764 30	606 00
1900	25	1,018,982	2,000 00	319 10	306 00 (Guar.)
	35	1,022,273	1,000 00	197 38	189 00 (Guar.)
	45	1,084,233	2,500 00	598 38	572 50 (Guar.)
	55	1,026,985	1,000 00	243 19	226 00 (Guar.)

TWENTY-YEAR ENDOWMENT

1890	25	409,796	\$1,000 00	\$1,083 00	\$1,061 00
	35	413,654	2,000 00	1,370 50	1,221 00
	45	416,024	1,000 00	776 80	737 00
1895	25	700,530	1,000 00	596 21	536 00
	35	685,238	1,930 00	1,039 61	903 82
	44	678,797	405 00	217 85	190 88
1900	25	1,023,328	1,000 00	303 37	288 00 (Guar.)
	35	1,038,561	1,000 00	303 51	288 00 (Guar.)
	45	1,095,911	3,000 00	789 87	741 00 (Guar.)
	55	1,047,892	1,000 00	269 12	242 00 (Guar.)

SALARIES

Officers and Home Office Employees receiving \$5,000 and over

Charles A. Peabody	President	\$50,000 00
Emory McClintock	Vice-President and Actuary	30,000 00
James Timpson	Second Vice-Pres. and Financial Manager	25,000 00
George T. Dexter	Second Vice-Pres. and Superintendent of Domestic Agencies	20,000 00
Charles H. Warren	Treasurer	20,000 00
James McKeen	General Counsel	20,000 00
Granville M. White	Second Vice-President	17,500 00
William J. Easton	Secretary	14,000 00
William W. Richards	Manager of Real Estate Dept.	14,000 00
Henry E. Duncan	Supt. Foreign Agencies	13,000 00
William W. Stevenson	Comptroller	11,000 00
William A. Hutcheson	Associate Actuary	10,000 00
Stephen M. Smith	Assistant Treasurer	10,000 00
Frederick L. Allen	Assistant Counsel	10,000 00
Walter S. Sullivan	Purchasing Agent	10,000 00
Brandreth Symonds	Chief of Medical Division	10,000 00
George K. Sergeant	Asst. Superintendent of Domestic Agencies	8,250 00

William F. Dix.....	Secretary	\$8,000 00
William P. Sands.....	Cashier	8,000 00
Edward P. Holden.....	Assistant Cashier	7,500 00
Henry S. Brown.....	Asst. Manager Real Estate Dept.	7,000 00
Walter H. P. Vesey.....	Asst. Supt. Foreign Agencies...	7,000 00
Arthur A. Ahearn.....	Assistant Treasurer.....	5,500 00
Samuel S. Hall.....	Assistant Actuary	5,000 00
William L. Simrell.....	Auditor of Domestic Accounts..	5,000 00

Respectfully submitted,

NELSON B. HADLEY

Chief Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Nelson B. Hadley, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

NELSON B. HADLEY

Subscribed and sworn to before me
this 28th day of March, 1910.

KATE F. CAHILL

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *March 28, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting in accordance with your instructions contained in appointment No. 2,319, hereto annexed, I have made a partial examination of the condition and affairs of the Metropolitan Live Stock Insurance Company of Syracuse, N. Y., an assessment company operating under the provisions of Article VIII of the Insurance Law.

I have found the condition of said company on March 19, 1910, to have been as follows:

Assets

Nothing 0 00

Liabilities

Bank, First National of Syracuse, N. Y. (account
overdrawn) \$77 69

Unpaid and unadjusted claims for losses (schedule,
sheet No. 2) 295 20

Total liabilities \$372 89

At the date of this examination, the books of account had not been posted since December 31, 1909, and consequently I am unable to furnish a statement of the income and disbursements.

Assets

There was no cash in office on date of this examination and no balance to credit of company in the bank as shown by their check book, but to the contrary, their account standing as having been overdrawn.

There is on their books the accounts of agents' balances, bills receivable and furniture and fixtures, the amounts of which I can not state for the reason aforesaid, the books not being posted up, but in any event, these are not admitted assets.

Liabilities

The balance to credit of the company as shown by the bank's statement on date of this examination was \$52.31, but this does not take into account three checks amounting to \$130 issued and charged on the company's books as a disbursement, which when considered as paid makes an overdraft and a liability of \$77.69.

The unpaid and unadjusted claims for losses have all been resisted and are either in hands of their attorney or the court. I have used for this liability item, the amount \$295.20, being the figures which the company claims the owners of the insured animals have offered to compromise for and accept as settlement in full. Attached hereto is an affidavit from the president of the company, B. E. Wood, in relation thereto.

Mr. Wood also informed me that the company had in its possession, a horse taken as salvage for a death claim which they had paid and which horse they valued at \$150. I had no means of verifying this statement and therefore have given the company no credit for this animal as an asset, if it is one.

Conclusion

It will be seen from the above report that the company is now insolvent and that it is in such condition that its further transaction of business will be hazardous to its policyholders, to its creditors and to the public.

Respectfully submitted,

CLARENCE J. NORTON

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Clarence J. Norton, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

CLARENCE J. NORTON

Subscribed and sworn to before me
this 28th day of March, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County.

EXHIBIT

*List of Death Claims Received and Unpaid on March 19, 1910,
Against the Metropolitan Live Stock Insurance Company of
Syracuse, N. Y.*

DATE OF DEATH	Name of owner	Address	Amount of policy or claim	Amount offered in settlement by owner Registered
10/17-09 ..	R. F. Thompson.....	Pine Hill, N. Y.....	\$200 00	*\$160 00
10/23-09....	Chas Dehn.....	Buffalo, N. Y.....	100 00	138 40
11/15-09 ..	Delos Neal.....	Seneca Falls, N. Y.....	100 00	175 00
12/29-09....	John Bielicki.....	Buffalo, N. Y.....	125 00	121 80
Total.....			\$525 00	\$295 20

* In court.

† In hands of attorney.

STATE OF NEW YORK }
COUNTY OF ONONDAGA } ss.:

I, B. E. Wood, being first duly sworn on oath, depose and say that I am the president of the Metropolitan Live Stock Insurance Company, a corporation duly incorporated under the laws of the State of New York, and I am fully acquainted with all the details of the business, and that at the close of business on the 19th day of March, 1910, the unpaid and unadjusted losses of the Metropolitan Live Stock Insurance Company, were as stated above in the preceding statement, and the amounts are as stated; the total amount of losses as per the policies being \$525, and the total amount agreed to in settlement of said claims by the policyholders being \$295.20.

(Signed) B. E. Wood

Sworn to before me this 22d
day of March, 1910.

[SEAL] JACOB R. BUECHELER
Notary Public

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

New York, April 4, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your appointment No. 2314, hereto annexed, I would respectfully report that I have made an examination into the condition and affairs of the United Retail Grocers' Association of Brooklyn Mutual Benefit Horse Fund of Brooklyn, New York, a corporation for the insurance of domestic animals operating under the provisions of Article VIII of the Insurance Law.

My examination consisted of a verification of the annual statement made as of December 31, 1909, and a determination of the condition of the Fund at the close of business March 28, 1910.

The home office of the Fund is located at 1368 Flatbush avenue in the borough of Brooklyn, New York City.

The company holds an annual meeting in December of each year, at which time an annual report is presented by the secretary and treasurer, and audited by an auditing committee of three members other than directors appointed by the president at the preceding annual meeting.

It has been the custom of the company in making its annual report to the department to take the statement thus audited, making no account of disbursements in December, but unfortunately for accuracy, the receipts of December are included. By this process the income is reported for the twelve months ending December 31st and the disbursements for the twelve months ending at the annual meeting about December 1st, and while each covers a period of twelve months, the net result is an over-statement of the assets as of December 31st of each year to the amount of December disbursements.

For the purpose of confirming the figures given, and also to make a correct statement of the condition of the Fund as of December 31, 1909, I would carry the items as follows:

Balance in hand as reported to directors December 1, 1908....	\$791 12
Received from members during December, 1908.....	155 06

Balance reported as on hand December 31, 1908.....	\$946 18
--	----------

Income

Received from members, January 1, 1909, to December 31, 1909	\$1,380 11
Interest on bank balance.....	18 12
Total income	1,398 23
Total	\$2,344 41

Disbursements

December 1, 1908, to December 2, 1909:	
Death claims	\$749 99
Salary of secretary (1908).....	200 00
Commissions	11 50
Medical examinations	83 00
Advertising and printing.....	10 00
Postage, express, telephone and telegraph	23 15
	<hr/>
	\$1,077 64

December 2, 1909, to December 31, 1909:

Salary of secretary (1909).....	\$200 00	
Medical examinations	39 00	
Commissions	17 50	
Return premiums	6 43	
Printing	2 50	
Postage, express, telephone and telegraph	19 74	
	<hr/>	\$285 17
Total disbursements (13 months)		<hr/> \$1,302 81
Balance on hand December 31, 1909.....		<hr/> <hr/> \$981 60

Assets

Deposit in Germania Savings Bank.....	\$808 00	
Deposit in People's Trust Company.....	128 76	
Cash in office	44 84	
	<hr/>	
Total ledger assets		\$981 60

Liabilities

Unpaid claim occurring December 27, 1909.....	116 66	
	<hr/>	
Surplus December 31, 1909.....	\$864 94	
	<hr/> <hr/>	

The following is a statement of the income and disbursements since January 1, 1910, and the assets and liabilities as of March 28, 1910:

Balance on hand December 31, 1909.....	\$981 60	
Income January 1 to March 28, 1910:		
Received from members	356 63	
	<hr/>	
Total	\$1,338 23	
Disbursements January 1 to March 28, 1910:		
For losses	383 32	
	<hr/>	
Balance on hand March 28, 1910.....	\$954 91	
	<hr/> <hr/>	

Assets

March 28, 1910.

Deposit in Germania Savings Bank.....	\$808 00	
Deposit in People's Trust Company.....	88 16	
Cash in office	58 75	
	<hr/>	
Total assets		\$954 91

Liabilities

Unpaid death claims	\$100 00	
" " "	116 06	
" " "	186 66	
<hr/>		
Total claims	\$383 32	
Miscellaneous bills	17 16	
Veterinary's bill	28 00	
<hr/>		
Total liabilities		\$428 48
<hr/>		
Surplus March 28, 1910.....		\$526 43
<hr/>		
		<hr/>

The Fund is limited in membership to members of the Brooklyn Retail Grocers' Association.

No horses are accepted over twelve years of age nor over \$300 in value.

The annual charges are \$1 membership fee and 5 per cent. of the insured value of the horse. Extra assessments are authorized when necessary and compulsory when the balance on hand is less than \$500. No extra assessment has been necessary of late.

There is no expense for rent and only one salaried officer, the secretary and treasurer, who receives \$200 in December of each year by vote of the directors.

The directors are elected annually in December, the present officers and directors being: Henry Heins, president; W. Kramer, vice-president, elected February 28, 1910, vice A. M. Bothwell; Frederick Luppens, secretary and treasurer; J. Glawatz, J. H. Doscher, H. Heins.

The policies guarantee the return of the unearned premium in the case of cancellation. I have reckoned the unearned premium fund at \$525.25 which is approximately the amount now on hand above all liabilities.

I append hereto the affidavit of the secretary and treasurer as to the liabilities of March 28, 1910.

Respectfully submitted,

GEORGE E. TALMAGE

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 4th day of April, 1910.

[L. s.] KATE F. CAHILL
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 5, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under appointment No. 2315, dated January 6, 1910, and annexed hereto, we have completed the examination of the Expressmen's Mutual Benefit Association of New York, an assessment corporation operating under the provisions of Article VI of the Insurance Law.

This association was organized January 12, 1869, as a mutual benefit association and any employee of a responsible express company may become a member subject to the restrictions set forth in the constitution and by-laws. The association was reorganized in 1902 and the present constitution and by-laws and schedule of rates were adopted.

The income and disbursements from January 1, 1909, to December 31, 1909, were as follows:

Balance December 31, 1908 (per association's records)..... \$303,317 80

Income

Assessments	\$113 895 80
Interest	12,309 67
Received a/c notes of members.....	7,328 39

Total income 133,533 86

Total \$436,851 66

Disbursements

Death claims paid	\$64,500 00	
Paid for surrender values.....	4,073 81	
Disability claims	600 00	
Loans to policyholders.....	7,168 04	
		<hr/>
Total paid to members.....	\$76,341 85	
Commissions	1,055 50	
Salaries of officers	1,800 00	
Salaries of office employees.....	300 00	
Medical fees	743 38	
Insurance Department fees	20 00	
Printing	261 45	
Miscellaneous expense	479 91	
		<hr/>
Total disbursements		\$81,002 09
		<hr/>
Balance (ledger assets December 31, 1909).....		\$355,849 57
		<hr/>

The assets and liabilities on December 31, 1909, were as follows:

Ledger Assets

Book value of bonds and stock (Exhibit A).....	\$344,205 75
Cash with American Express Company, treasurer.....	11,643 82
	<hr/>
Total ledger assets	\$355,849 57

Non-Ledger Assets

Interest accrued on bonds.....	3,782 54
Market value of bonds and stocks over book value.....	66,644 25
Assessments not more than 30 days overdue.....	3,560 95
	<hr/>
Total admitted assets	\$429,837 31

Liabilities

Reserve (valued on American Experience Table and 3 per cent. interest).....	\$207,618 14
Unpaid claims	2,500 00
	<hr/>
Total liabilities	300,118 14
	<hr/>
Surplus	\$129,719 17
	<hr/>

We attach to this report as Exhibit "A" a schedule of bonds and stock owned.

The foregoing financial statement differs from that filed by the company for the year ending December 31, 1909, in the following particulars:

Non-ledger assets increased by interest accrued on bonds in the sum of \$3,782.54 and assessments not more than thirty days overdue decreased in the sum of \$614.02, making a net increase in surplus of \$3,168.52.

Expense of Management

The association is under the direct management of individuals who are officers of certain express companies, of which the members are employees, and in various ways the association is assisted by these companies. The membership is divided into about eighty divisions, each having a secretary who is a salaried employee of one of the express companies. These secretaries collect and remit to the treasurer the monthly assessments, and receive as compensation a commission of 1 per cent. of the collections, which is practically only sufficient to cover postage.

The entire cost of management represents a ratio of about 4 per cent. of operating expenses to assessments received from members.

The salaries of the officers are as follows:

E. A. Steadman, President, no salary.

R. H. M. Dwight, Vice-President, no salary.

American Express Company (J. F. Fargo, Treasurer), Treasurer, no salary.

W. E. Scott, Secretary, \$1,500 per annum.

Miles M. Dawson, Consulting Actuary, \$300 per annum.

Membership and Certificates

This association on December 31, 1909, had in force 3,563 certificates, carrying an insurance amounting in total to \$3,887,000. The certificates issued range in amounts from \$500 to \$5,000, payable at death. The constitution and by-laws provide also for permanent disability payments; loans to members; cash surrender values; and paid-up policies; conditional on the members having paid one full year's contribution.

The amount allowed for total disability shall not be in excess of one-third of the face value of said certificate, except when the reserve exceeds that proportion, when the total reserve shall be payable. The payment of a disability benefit cancels the association's obligation and the membership of the certificate holder.

Loan values are provided members for an amount not exceeding

the reserve on said certificates. Such loans are given on the security of the certificates and bear interest at 4 per cent. per annum, payable monthly.

The Executive Committee is authorized to purchase members' certificates, if in their judgment the association would be benefited by so doing. These payments are made from the surplus in excess of the reserve required by the American Experience Table, apportioned by the Executive Committee.

A member surrendering his certificate, having no indebtedness against it, is entitled to a fractional policy equivalent in value to the reserve payable at death, on which no monthly contribution shall be required, the only exception being, as provided under article IV, section IV, of the constitution, "whenever the reserve fund becomes impaired a contribution may be levied against all the members of the association to supply the deficiency."

Contributions or Schedules of Rates, etc.

The monthly contributions were based upon the nearest present age of the present members on September 1, 1902, and also upon the nearest present age of all new members at the date of entry. The schedule of rates is as follows:

MONTHLY CONTRIBUTIONS PER \$1,000
Age Nearest Birthday

20	\$1 33	37	\$2 20	54	\$4 23
21	1 37	38	2 23	55	4 42
22	1 41	39	2 36	56	4 63
23	1 45	40	2 44	57	4 86
24	1 49	41	2 52	58	5 10
25	1 53	42	2 61	59	5 36
26	1 57	43	2 71	60	5 64
27	1 62	44	2 81	61	5 93
28	1 66	45	2 91	62	6 24
29	1 71	46	3 02	63	6 57
30	1 76	47	3 14	64	6 92
31	1 82	48	3 27	65	7 29
32	1 87	49	3 41	66	7 69
33	1 93	50	3 55	67	8 13
34	2 00	51	3 71	68	8 59
35	2 06	52	3 87	69	9 11
36	2 13	53	4 04	70 and over	9 65

Payments of contributions may be arranged with the Executive Committee to be paid quarterly, semi-annually or annually, instead of monthly, if desired.

The constitution provides that members who have been five years or more in the association may pay the rate of contribution according to their age at entry into the association, and have charged against their certificates as liens the reserve, computed according to their age of entry and the number of years they have been members, on the American Experience Table of Mortality, with 3 per cent. interest. Such lien shall bear interest at rate of 3 per cent. per annum, which may be paid monthly or added to the lien and deducted from the amount of the insurance at death.

Members may, if they so elect, pay upon each contribution sixty (60) per cent. in cash, and give a note for the remaining forty (40) per cent., with interest at 4 per cent. per annum (payable monthly), and the indebtedness to be deducted from the amount accrued at time of death or total disability.

Reserve

Article II, section 3, of the constitution and by-laws reads as follows:

“The Association shall carry a Reserve Fund at least equal to the Reserve based upon the American Experience Table of Mortality with 3½ per cent interest.”

It is the practice of the association to value the policy obligations according to the American Experience Table of Mortality and 3 per cent. interest and charge this amount as a reserve liability. The liability thus computed on December 31, 1909, amounted in total to \$372,491, from which has been deducted \$74,872.86, the total amount of the policy liens not in excess of the corresponding reserves on each risk, giving a net reserve liability of \$297,618.14.

We have checked the accuracy of the computation and carried in the foregoing financial statement this amount as a reserve liability.

We file with the papers of this report copies of the certificate of membership, constitution and by-laws, and assessment notice.

Respectfully submitted,

RICHARD A. ELMER

CLARENCE J. NORTON

Assistant Examiners

STATE OF NEW YORK, }
 COUNTY OF NEW YORK. } ss.:

Richard A. Elmer and Clarence J. Norton, being duly sworn, depose and say that the foregoing report subscribed by them is true to the best of their knowledge, information and belief.

RICHARD A. ELMER

CLARENCE J. NORTON

Subscribed and sworn to before me
 this 6th day of April, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 6, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
 Albany, New York.*

Sir.— Acting under the instructions contained in your appointment No. 2194, we have made an examination into the condition and affairs of The Workmen's Circle, a fraternal beneficiary society, organized and transacting business under the provisions of Article VII of the Insurance Law of the State of New York.

We find the income and disbursements for the year ending December 31, 1909, and the assets and liabilities as of that date to have been as follows:

Ledger assets December 31, 1908..... \$114,247 90

INCOME

Membership fees	\$41,086 00
Certificate fees	2,015 25
	<hr/>
	\$43,101 25

Assessments:

Mortuary.....	\$20,000 00
Reserve	13,007 25
Sick benefit	62,301 00
Funeral benefit	7,999 00
Consumption benefit	8,100 00
Administration	17,859 35

Old age dues protective fund....	\$4,540 52
Consumption sanitarium funds...	19,175 87
Russian refugees relief fund.....	2,601 45
Annual convention	8,307 97
Advance assessments	408 60

\$164,301 10

Deduct loss on expelled members..	2,933 47
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Total assessments \$161,367 63

Total paid by members.....	\$204,468 88
Sanitarium benefit	2,472 93
Interest	2,967 93
Rent.	4,744 00
Income from farm.....	551 81
From sale of lodge supplies.....	124 68

Total income \$215,330 23

DISBURSEMENTS

\$329,578 13

Death claims	\$17,200 00
Sick benefit claims	62,301 00
Funeral expenses	7,999 00
Consumption benefit	8,100 00

Total benefits paid.....	\$95,600 00
Expenses of organization work	3,823 99
Expenses of directors and committees.....	1,029 08
Salaries of office employees.....	5,276 08
Other compensation of office employees.....	410 00
Traveling and other expenses of officers.....	332 71
Insurance department fees	69 00
Rent	780 00
Advertising, printing and stationery.....	2,909 82
Postage, express, telegraph and telephone....	1,130 54
Lodge supplies.	451 08
Official publication.	250 91
Expenses of annual convention.....	8,307 97
Legal expenses	615 25
Furniture and fixtures.....	774 56
Taxes, repairs and other expense of real estate	8,649 84
Interest on loan.....	61 00
Donation to Russian refugees relief societies...	1,974 56
Donation to Jewish consumptive relief society..	500 00
Miscellaneous.	668 96

Total disbursements 133,615 35

Balance. \$195,962 78

LEDGER ASSETS

Book value of real estate:		
A. Sanitarium at Liberty, N. Y..	\$16,954 67	
Deduct mortgage	3,700 00	
	<hr/>	\$13,254 67
B. Property at 211-213 Henry street.	\$66,250 00	
Deduct mortgages	56,000 00	
	<hr/>	10,250 00
Total book value of real estate.....	\$23,504 67	
Book value of bonds	91,728 70	
Deposited in trust companies and banks on interest	24,615 14	
Cash in office.....	83 68	
Lodge supplies	1,061 86	
Furniture and fixtures.....	834 76	
Special deposit for gas and electricity.....	70 00	
Due from branches	54,063 97	
	<hr/>	
Total ledger assets.....		\$195,962 78

Non-Ledger Assets

Interest accrued on bonds.....	\$682 93	
Interest accrued on bank deposits.....	398 56	
	<hr/>	
Total non-ledger assets		1,081 49
	<hr/>	
Total assets		\$197,044 27

Deduct Assets Not Admitted

Balances due from branches.....	\$54,063 97	
Lodge supplies	1,061 86	
Book value of real estate over market value...	6,630 67	
Book value of bonds over market value.....	268 70	
Furniture and fixtures.....	834 76	
	<hr/>	62,859 96
	<hr/>	
Total admitted assets.....		\$134,184 31

LIABILITIES

Death claims due and unpaid.....	\$3,200 00
Death claims adjusted, not due.....	4,800 00
Death claims not reported.....	400 00
Death claims deposited for minors.....	574 13
	<hr/>
Total death claims unpaid.....	\$8,974 13

Russian refugees relief fund.....	\$1,485 40
Assessments paid in advance.....	461 35
Interest accrued on mortgage loans.....	913 30
Bills and accounts due and accrued.....	3,168 10

Total liabilities	\$15,002 28
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Balance	\$119,182 03
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INCOME

Method of Accounting

The accounting of the society is maintained on the revenue basis, as distinguished from the cash basis, and in all the annual statements to the department the society has reported its income in accordance with its method of bookkeeping, which shows a variation from the actual cash income received for each current year.

The quarterly assessment levied on the last day of each period is charged to the branches in the form of an account current, becomes a part of the society's income and is carried on the ledger as debit balances due from branches.

While this method of accounting does not show the true income of the society as contemplated by the convention blank, it does not affect the true showing of the admitted assets, as the balances due from branches are deducted in the financial statement as assets not admitted. To arrive at the true cash income for any year it is necessary to add to the book income the uncollected branch balances of the previous year and deduct the uncollected branch balances of the current year.

Income on Cash Basis

Reduced to a cash basis, the income of the society by an adjustment of the uncollected balances due from the branches is shown in the following statement:

Income as per society's books.....	\$215,330 23
Add balances uncollected December 31, 1908.....	27,005 19
	<hr/>
	\$242,335 42
Deduct balances uncollected December 31, 1909.....	54,063 97
	<hr/>
Actual cash income for 1909.....	\$188,271 45

By a similar adjustment for the three preceding years, the income of the society on a cash basis shows the following variations from the book income as reported to the department:

	Income Reported	Actual Cash Income
1906	\$52,602 41	\$51,673 02
1907	86,534 52	77,425 11
1908	122,575 14	113,898 75

ASSESSMENTS

Assessment calls are issued quarterly on the last day of March, June, September and December for the purpose of meeting claims and expenses incurred during the three months immediately preceding the call. The income from assessments may be divided into three groups:

1. To meet the claims incurred for mortuary sick benefit, consumption benefit and funeral expenses.
2. To meet the expenses incurred for administration.
3. Special tax for reserve, old age and sanitarium funds and donations for charitable purposes.

In so far as the death claims are concerned, the method of levying the assessment has been changed by the society at its annual convention held in Baltimore on May 6, 1909.

From January 1, 1910, the assessment for the mortuary and reserve funds has been fixed at \$1.60 per annum for members in Class I, 80 cents per annum for members in Classes II and III, payable quarterly in advance, regardless of age. The income thus derived is to be divided into two funds, mortuary and reserve. Members in the first class contribute \$1 to the mortuary and 60 cents to the reserve fund. Members in Classes II and III contribute 50 cents to the mortuary and 30 cents to the reserve fund.

Old Age Dues Protective Fund

The members in the first and second classes pay a yearly tax of twenty cents to the above fund, to be held in reserve for fifteen years and to be used in payment of dues of members of fifteen years standing who by reason of sickness or lack of employment are unable to pay their assessments.

Sanitarium Fund

Income received from contributions to the above fund has been used for the purchase of a farm and the erection of a sanitarium at Liberty, Sullivan county, N. Y., for patients suffering from tuberculosis.

Russian Refugee Relief Fund

This fund is made up from voluntary contributions from the membership and distributed in donations to societies for the relief of refugees from Russia.

PAYMENTS TO MEMBERS

Death claims are paid after the expiration of ninety days from receipt of proofs.

The delay is justified by the society's officers on the ground that the assessment as levied prior to December 31, 1909, has been a post-mortem assessment to cover claims incurred in the preceding quarter.

This practice, however, should be changed in future in view of the fact that the nature of the assessment has been changed from post-mortem to one payable in advance.

Sick and accident claims and funeral expenses are paid directly by the branches to the claimants, the society giving the branch credit on its account current for the disbursement.

Consumption benefit. This represents payments to members suffering from tuberculosis who are obliged to leave their homes in search of a beneficial climate.

EXPENSES OF MANAGEMENT

Expense of organization committees represents the cost of obtaining new members through organizers and committees by means of public meetings.

The entire expense of management amounts to \$26,890.95, which sum is equal to 12½ per cent of the entire income for the year.

The expenses of the annual convention amount to \$8,307.97 or 30.8 per cent of the entire cost of management. While the cost of the annual convention appears to be large as viewed in relation to the general expenses of the administration, it is per-

haps justified by the representative form of government maintained by the society.

LEDGER ASSETS

Real Estate

A. Sanitarium at Liberty, New York. The Society purchased in 1908 a farm at Liberty, Sullivan county, New York, for the sum of \$6,750, of which amount \$2,650 was paid in cash and the balance of \$4,100 remained on mortgage. A payment of \$400 has since been made on account of the said mortgage, leaving the book value of the society's equity in the land at \$3,050. This value has been increased by the construction of buildings and other improvements at a cost of \$10,204.67, bringing up the total book value of land and buildings to \$16,954.67, subject to the aforesaid mortgage of \$3,700. The property has been appraised at \$8,000, showing a depreciation of \$8,954.67 from the cost value as given on the society's books.

B. Property at 211-213 Henry street, New York City. This investment, made in October, 1907, has proven to be unprofitable. The property consists of two brick buildings on land forty-five feet two inches by eighty-five feet. The purchase price of the same is \$66,250, subject to mortgages aggregating \$56,000, or a net cash investment of \$10,250. The property has been appraised at \$68,574, showing \$2,324 as excess market over book value.

The society carried the property at a loss in 1908, the expenses exceeding the income by \$590.27. In 1909 the expenses exceeded the income by \$460.04. It was the intention at the time of purchase to erect a new structure on the land to serve as a home office and meeting place for the lodges, but the plans for the structure were disapproved by the building department.

It would seem that an investment of this nature, yielding an annual loss, should be disposed of at the first favorable opportunity.

Balances due from branches, amounting to \$54,750.43, represent the assessments issued on December 31, 1909, and balances due from branches of account of previous assessments. The entire sum has been deducted in the foregoing financial statement as an asset not admitted.

Bonds

The sum of \$91,728.70 of the society's funds is invested in municipal bonds. These have been examined and appraised at a market value of \$91,460, and the sum of \$268.70, representing the excess of book over market value, deducted as a non-admitted asset. A schedule of the bonds owned by the society is herewith annexed as Exhibit "A."

Cash

Cash in office was verified by actual count on the morning of January 3, 1910. Deposits in banks have been verified in the usual manner from the society's books and reconciled with bank certificates.

Funds

The ledger assets are divided into the following funds:

Mortuary	\$8,574 13
Reserve	160,863 96
Expense	26,524 69
	<hr/>
	\$195,962 78
	<hr/>

LIABILITIES

Death claims not yet due. This item represents claims which have been incurred during the last three months of 1909 and assessments called on December 31, 1909.

Death claims not reported. Represents a liability for claims incurred in 1909 but not reported to the society until 1910.

Russian Refugee Relief Fund. Represents a sum collected from contributions for a charitable purpose and not yet distributed to the proper societies.

Bills and accounts due and accrued. Represents mainly purchases of supplies for the sanitarium at Liberty, N. Y.

HISTORY

This society was organized under the name "Arbeiter Ring," on February 4, 1891, as a mutual aid association. From that date until September 4, 1900, the members were assessed \$1 for each death, and in addition there was paid to the members a sick benefit of \$5 per week, not to exceed twelve weeks, and a funeral expense benefit graded from \$9 to \$41. The membership was between 250 and 400. On September 4, 1900, the society reor-

ganized under the lodge system and the name was changed to "The Workmen's Circle." Shortly after, application was made to the Insurance Department for authority to transact business under the Insurance Law, and on November 22, 1905, a final certificate of authority was issued to the society by the superintendent of insurance. The death benefit was thereupon changed to a fixed sum of \$400 or \$200 according to class.

The number of members and amount of insurance in force on December 31, of the various years, is shown by the following table:

	Number of Members	Amount of Insurance
1906	8,840	\$2,976,400
1907	14,258	4,735,000
1908	19,324	6,274,000
1909	31,581	9,649,200

Organization and Management

The Workmen's Circle is composed of 398 branches, and transacts business in twenty-nine states, in the District of Columbia and in the Dominion of Canada. It is managed by a general executive committee of fifteen members, a control committee of nine members and a national board of directors consisting of one delegate from each state in which the society transacts business.

The general executive committee consists of fifteen members of the Greater New York branches. Four members are re-elected by the annual convention and the remaining eleven by referendum. This committee has as officers a chairman, vice-chairman, treasurer and twelve trustees. Its duties are to transact all the business of the order the same as the officers of a society would ordinarily do.

The control committee consists of nine members of the greater New York branches and its duties are to audit the financial reports and books of the general office, to investigate the books and the business conduct of the branches and to take up appeals from the decision of the executive committee.

The national board of directors is composed of one delegate from each state wherein the society transacts business and it has a supervisory power over both the general executive and control committee.

The candidates for the general executive and control committees are nominated by the annual convention. The names of twenty-two of the nominated candidates for the general executive and eighteen for the control committee are placed upon a referendum ballot and are elected by a majority of the membership.

The general executive committee, together with the control committee, elect and appoint a secretary of the order, who also acts as the secretary of each committee.

Rights and Duties of Members

The members are divided into three classes as follows:

Class I. Members must pay in advance \$4 representing 1 per cent of amount of insurance (\$400) and also 15 cents for a membership certificate and a copy of the constitution. Members of this class are entitled to (a) sick benefit after three months of \$6 per week not to exceed fifteen weeks in any one year; (b) consumption benefit after six months of \$100 if necessary to go to Colorado, Europe or the far west and \$50 if the member can be cured within the proximity of the place where he resides; (c) funeral expenses for the member and his family.

Class II. Members must pay in advance \$2 or 1 per cent of amount of insurance (\$200), and also 15 cents for a membership certificate and a copy of the constitution; otherwise, the members in this class are entitled to the same benefits as given above under class I.

Class III. The wives of members only are eligible to this class and pay for the death benefits, and 6 cents quarterly for administration expenses. They are entitled only to death benefits and funeral expenses.

Rates

The order insures males and females between the ages of eighteen and forty. As explained elsewhere in this report, assessments have been levied on the members at the end of each quarter to pay the various benefits and all members are assessed on the same basis without regard to age, a member at age forty paying the same rate for his insurance and other benefits as a member at age eighteen. Although a change has been made in the method of collecting the assessment for the mortuary and reserve funds in that the assessment is levied in advance, the order still charges

all the members the same rate. The following table shows the yearly assessments levied on the members for the various benefits in Class I.

	1905	1906	1907	1908	1909
Death benefit	\$0.81	\$1.096	\$1.003	\$0.954	\$0.984
Sick benefit	2.648	2.541	2.473	3.034	2.91
Consumption benefit .....	.24	.338	.194	.337	.35
Funeral benefit .....	.332	.372	.379	.388	.384
Administration expenses	1.208	1.295	1.021	.947	.93
Annual convention expenses .....	.33	.324	.271	.33	.257
Miscellaneous (adjusting figure) .....	.....	.028	.007	.....	.038
Total	\$5.508	\$5.984	\$5.348	\$5.99	\$5.853

In addition to the above amounts, taxes have been levied on the members for the following purposes: Reserve fund, sixty cents per year; old age fund, twenty cents per year and consumption sanitarium fund, sixty cents per year. Contributions have also been asked from the members for a Russian refugees relief fund, which, while voluntary, have always been paid by each member.

The secretary stated that it was the intention of the order in the future to adopt rates based on the National Fraternal Congress table of mortality. The application signed by each member contains this provision: "Should The Workmen's Circle by a majority vote decide to adopt rates, not lower than those adopted by the National Fraternal Congress, I agree to pay such increased rate."

Cemetery Fund

The branches located in Greater New York are the only branches interested in this fund and of these only such branches as have no cemetery of their own. These branches elect a committee called the cemetery committee, which has charge of all the moneys of this fund, although for convenience the assessments are collected through the general executive committee and deposited in the bank to the credit of the cemetery committee. A statement of this fund for the year ending December 31, 1909, is as follows:

Balance January 1, 1909	\$2,939 25
<i>Income</i>	
Branches, headstones, graves sold, etc	7,503 80
Total	\$10,442 85

Disbursements

Cemeteries, headstones, printing, etc.....	\$4, 869 29
Balance	<u>\$5, 573 56</u>

Assets

Cash in bank.....	\$5, 561 33
Cash in office.....	12 23
Total assets	<u>\$5, 573 56</u>

Conclusion

Your examiners make the following recommendations:

1. That the rates charged for the mortuary fund be revised on a scientific basis.
2. That death claims be paid promptly on receipt and approval of proofs.
3. That the method of assessment and system of accounting be revised or modified so as to enable the society to report its income to the department on a cash basis, as provided in the convention blank.
4. That the property at 211-213 Henry street, now carried at a loss, be disposed of.

Salaries of Officers

Under the system by which the society is managed, no officer is elected by the annual convention, and the general executive committee has the authority usually delegated to officers. The members and officers of this committee receive only a per diem allowance of \$3.00 for actual services. The secretary of this committee is appointed by the members thereof and, acting as the secretary of the society, receives a salary of \$25.00 per week.

Filed with this report are copies of the application and membership certificates in the three classes.

Respectfully submitted,

LEON S. SENIOR

JOHN L. TEAIN

Examiners

STATE OF NEW YORK }
 COUNTY OF DUTCHESS } ss.:

Leon S. Senior and John L. Train, being duly sworn, depose and say that the foregoing report subscribed by them is true to the best of their knowledge and belief.

LEON S. SENIOR

JOHN L. TRAIN

Subscribed and sworn to before me
 this 14th day of April, 1910.

FRANK L. GARDNER

Notary Public

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *April 11, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

SIR.—Acting under appointment No. 2317 dated January 6, 1910, and annexed hereto, we have made an examination of the condition and affairs of The Provident Association of Newtown, Long Island.

The association was organized in 1876, incorporated in 1883, and is doing business under article VI of the Insurance Law as a life insurance corporation upon the co-operative or assessment plan.

We find the financial condition of the association on April 8, 1910, to be as follows:

Income

January 1, 1910, to April 8, 1910:

Assessments (from members).....	\$1,195 70
Less unpaid assessments returned to secretary.....	4 40

Total paid by members.....	\$1,191 30
Interest on deposit in bank.....	27 06

Total income	\$1,218 36
Balance December 31, 1909.....	2,112 26

Total	\$3,330 62
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Disbursements

January 1, 1910, to April 8, 1910:

Death claims (total paid to members).....	\$1,501 00	
Commission for collecting assessments.....	37 10	
Printing	3 15	
		<hr/>
Total disbursements		\$1,541 25
		<hr/>
Balance		\$1,789 37
		<hr/> <hr/>

Assets

Balance in bank	\$1,400 92	
Cash in hands of treasurer.....	2 95	
Cash in hands of secretary (old assessment)....	6 00	
Cash in hands of secretary (assessment due 4/2)	379 50	
		<hr/>
Total assets		\$1,789 37

Liabilities

Reserve (§ 205)	\$525 00	
Death claims	414 78	
Printing, etc.	14 50	
		<hr/>
		954 28
		<hr/>
Surplus (April 8, 1910).....		\$835 09
		<hr/> <hr/>

INCOME

Under "Income" appears the item "less unpaid assessments returned to secretary \$4.40." This represents assessments refunded to the secretary who had advanced that amount for delinquent members, and had been unable to collect same.

ASSETS

Cash in Hands of Secretary

The secretary collects the assessments and, according to the by-laws, should pay over to the treasurer all moneys of the association received by him. In practice the secretary collects the assessments, makes disbursements, including payments for death claims, and pays over to the treasurer any balance that may remain. Until disbursed by him, the secretary deposits the association's moneys to the credit of his personal account.

ANNUAL STATEMENT

In checking the annual statement rendered to the department as of December 31, 1909, we find a number of inaccuracies and omissions. The financial statement should be as follows:

Balance December 31, 1908..... \$1,300 78

Income, 1909

Gross amount of membership fees.....	\$2 20	
Assessments	3,340 70	
Medical examiners' fees	2 00	
	<hr/>	
	\$3,344 90	
Less unpaid assessments returned to secretary..	35 20	
	<hr/>	
Total paid by members.....	\$3,309 70	
Interest	26 12	
	<hr/>	
Income during year		3,335 82
		<hr/>
Total		\$4,636 60

Disbursements, 1909

Death claims paid	\$2,298 00	
Commissions	151 85	
Medical examiners	2 00	
Printing	39 00	
Postage, etc.	33 49	
	<hr/>	
Disbursements during year		2,524 34
		<hr/>
Balance		\$2,112 26
		<hr/> <hr/>

Ledger Assets

Deposited in bank	\$1,742 56	
Cash in hands of treasurer.....	369 70	
	<hr/>	
Ledger assets		\$2,112 26

Non-Ledger Assets

Interest accrued on deposit in bank.....		27 06
		<hr/>
Total admitted assets		\$2,139 32

Liabilities

Reserve under section 205.....	\$525 00
Death claims (3) unpaid.....	798 78
	<hr/>
Total liabilities	\$1,323 78
	<hr/>
Surplus	815 54
	<hr/> <hr/>

As far as the income, disbursements and assets of the above statement are concerned they differ only technically from the figures reported in the annual statement. No liabilities, however, are reported in the annual statement. This omission is undoubtedly due to lack of knowledge and not design. The reserve under section 205 has been placed at \$525, that being the maximum amount payable on any one death. Two of the death claims unpaid (\$754) while not reported by the association as a liability, were shown in Exhibit X of the statement and \$44.78 represents a portion of a claim carried from a previous year. It is to be noted that the annual statement is not signed by the vice-president of the association as is now required by the department.

CERTIFICATES

In 1898, as a result of an examination made by this department, the examiners called attention to the fact that the form of certificates issued by this association to its members did not comply with the provisions of section 210. It appears that the department carried on a correspondence with this association in reference to this matter, the correspondence extending into 1907. In that year the association submitted a form of certificate which under date of June 21, 1907; had the approval of the department. The secretary informs us that the approved certificates have never been issued.

MEMBERSHIP

Both males and females are eligible to membership in this association, the maximum number of members being limited to 525 by the terms of the constitution. Members must be between the ages of 21 and 45 years at the time of their admission to the association. When admitted to membership, members must pay

\$1 for a medical examiner's fee and \$1.10 towards the funds of the association. In the event of a death each member is assessed \$1.10, of which \$1 is reserved for the next death claim and 10 cents is used for management expenses. The amount payable at death varies according to the number of members paying the last previous assessment, at the rate of \$1 for each member in good standing. On April 8, 1910, there were 370 members in good standing, although only 345 of them had paid at this date an assessment due on or before April 2, 1910. The association keeps no record of the ages of its members.

OFFICERS AND TRUSTEES

Following are the officers for the current year: president, George W. Cadwell; vice-president, Nathaniel Wing; treasurer, George V. Todd; secretary, A. L. Freeman; assistant secretary, George A. Hopkins.

The association pays no salaries, the secretary, however, receiving five cents per member for each assessment collected. According to the by-laws the treasurer and secretary shall give satisfactory security for the faithful performance of their duties, in such sum or amount as the Board of Trustees may from time to time direct. Neither of these officers has been required to furnish security.

The board of trustees consists of the following members in addition to the above named officers: Thos. Hearn, Oscar B. Way, George E. Schwarzkopf, John D. Godfrey, Henry H. Garbe, P. J. Lacy, Frank Decker, Henry Schumann. The counsel of the association is John E. Van Nostrand.

Filed with this report are the following: copy of amended charter, copy of approved certificate, copy of assessment notice.

Respectfully submitted,

SETH C. McARTHUR

Examiner

SAMUEL DEUTSCHBERGER

Assistant Examiner

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.:

Seth C. McArthur and Samuel Deutschberger, being duly sworn, depose and say and each for himself says that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

SETH C. McARTHUR

SAMUEL DEUTSCHBERGER

Subscribed and sworn to before me
this 14th day of April, 1910.

[L. s.] KATE F. CAHILL
Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 11, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.— Acting under the instructions contained in your appointments Nos. 2222 and 2337, we have made an examination of the condition and affairs of the United States Casualty Company of New York, N. Y.

This examination was made as of December 31, 1909; on an increase of capital stock and amendment to the charter, in accordance with the provisions of section 52 of the insurance law.

The following is a statement of the financial condition of the company as of December 31, 1909:

Ledger assets December 31, 1908..... \$2, 253, 051 69

Income

Increase of capital stock.....	\$100, 000 00
Premiums unpaid December 31, 1908, transferred from non-ledger to ledger assets.....	141, 098 25
Premiums written and renewed during the year.....	1, 643, 256 73
Interest on mortgage loans.....	13, 569 57
Interest on bonds and dividends on stocks.....	76, 351 51
Interest on deposits in trust companies and banks	2, 195 85
Recovery of premiums previously charged to profit and loss.....	10 89
Rent	368 76

Agents' balances previously charged to profit and loss	\$151 91
Gross profit on sale of bonds.....	1,625 00
Gross profit on sale of stocks.....	37,280 80
	<hr/>
Total income	\$2,015,909 27
	<hr/>
Total	\$4,268,960 96

Disbursements

Net amount paid for losses.....	\$569,707 81
Investigation and adjustment of claims.....	109,089 08
Commissions or brokerage.....	484,344 93
Salaries, fees and all other compensation of officers, directors, trustees and home office employees	105,476 34
Salaries, traveling and all other expenses of agents not paid by commissions.....	49,904 05
Inspections	21,591 51
Rents	20,671 27
Repairs and taxes on real estate.....	116 92
State taxes on premiums.....	22,412 90
Insurance Department licenses and fees.....	7,220 23
All other licenses, taxes and fees.....	2,258 95
Legal expenses	1,668 93
Advertising	3,978 45
Printing and stationery.....	27,899 00
Postage, telephone, telegraph and express....	10,852 25
Furniture and fixtures.....	8,783 50
Dividends to stockholders.....	152,432 50
Extended free accident insurance.....	4,631 57
Miscellaneous	5,645 71
Uncollectible premiums	226 79
Fees of auditors.....	1,900 00
Agents' balances charged off.....	1,385 19
Gross loss on sale of bonds.....	13,610 00
Gross loss on sale of stocks.....	64,442 18
Decrease, by amortization, in book value of bonds	99 30
	<hr/>
	1,690,349 36
	<hr/>
Balance	\$2,578,611 60

Ledger Assets

Book value of real estate.....	\$5,000 00
Mortgage loans on real estate.....	294,000 00
Book value of bonds.....	880,070 00
Book value of stocks.....	1,173,385 60
Cash in company's office.....	18,252 23
Deposits in trust companies and banks.....	50,853 02
Premiums in course of collection.....	157,050 75
	<hr/>
Total ledger assets.....	\$2,578,611 60

Non-Ledger Assets

Interest accrued on mortgages.....	\$4,474 89	
Interest accrued on bonds.....	9,606 64	
Interest accrued on bank deposits.....	363 02	
Market value of stocks over book value.....	14,141 40	
		<hr/>
		\$28,585 95
Total assets		<hr/>
		\$2,607,197 55

Deduct Assets Not Admitted

Premiums in course of collection written prior to October 1, 1909.....	\$539 54	
Book value of bonds over market value.....	46,880 00	
		<hr/>
		47,419 54
Total admitted assets.....		<hr/>
		\$2,559,778 01

*Liabilities**Losses and claims:*

Accident	\$91,282 75	
Health	20,872 43	
Burglary	1,035 50	
Sprinkler	627 94	
Workmen's collective	774 10	
		<hr/>
	\$114,592 72	
Special reserve for unpaid liability losses.....	197,383 25	
Unearned premiums	748,771 99	
Commissions	43,857 63	
Salaries, rents, expenses, bills, accounts, fees, due or accrued.....	6,420 65	
State, county and municipal taxes due or ac- crued	23,271 73	
Dividends due to stockholders.....	12,627 50	
Reinsurance premiums due to admitted com- panies	8,522 95	
Reinsurance reserve held for non-admitted com- panies	12,867 77	
		<hr/>
Total liabilities except capital.....		\$1,168,316 19
Capital	\$500,000 00	
Surplus	891,461 82	
		<hr/>
Surplus to policyholders.....		1,391,461 82
		<hr/>
Total liabilities		\$2,559,778 01

Capital Stock

This company was incorporated in 1895 with a capital stock of \$300,000, divided into 3,000 shares of \$100 each. In 1906 the capital was increased to \$400,000 by an issue of 1,000 shares for the par value of \$100,000.

At a special meeting of stockholders held on July 29, 1909, a resolution was adopted increasing the capital stock to \$500,000, and on the same day the Board of Trustees adopted a resolution declaring a stock dividend of \$100,000, to be paid pro rata to stockholders of record from the surplus earnings of the company.

At a special meeting of stockholders, held on November 18, 1909, Article VI of the Company's Charter, reading as follows:

"Article VI. The amount of the capital stock of the corporation shall be four hundred thousand dollars (\$400,000), divided into four thousand shares of one hundred dollars (\$100) each. The capital stock may be increased or reduced, as provided by law."

was amended to read as follows:

"Article VI. The amount of the capital stock of the corporation shall be five hundred thousand dollars (\$500,000), divided into five thousand shares of one hundred dollars (\$100) each. The capital stock may be increased or reduced, as provided by law."

We have examined the minutes in relation to the increase of capital stock, and amendment to the charter, and the proceedings taken appear to be in accordance with the provisions of the law of this State.

Premium Income

The premium income of the company for the year contains an item of \$141,098.25, representing the uncollected premiums at the end of the previous year.

It is necessary to include the above item in the premium income of the current year, by reason of a change in the form of the annual statement blank, adopted by the Insurance Commissioners' Convention, transferring the uncollected premiums from non-ledger to ledger assets.

Dividends to Stockholders

The total amount of the dividends paid to stockholders for the year 1909 includes the sum of \$100,000, representing a stock dividend declared and paid pro rata to stockholders on August 4, 1909 on account of an increase in the capital stock of the company.

Extended Free Accident Insurance

The disbursement for this item represents premiums credited to policies containing a coupon for extended free insurance in cases where no claim has been made by the assured for a specified number of years.

Miscellaneous Disbursements

Included therein is an item of \$130, representing a payment made to Mr. Lorenzo Semple for one and three-tenths ($1 \frac{3}{10}$) shares of the stock of the United States Casualty Company, held by him to take up twenty-six (26) shares of the stock of the Premium Reserve Company.

Under a contract entered into on October 22, 1906, Mr. Semple was to receive \$5 per share for every share of the Premium Reserve Company stock purchased by him and turned over to the Casualty Company. The above payment of \$130 makes a total payment to Mr. Semple of \$100,000, and thereby cancels the contract. The history of the Premium Reserve Company and its connection with the Casualty Company is referred to in a previous report on examination of the Casualty Company, under date of January 21, 1907.

ASSETS*Real Estate*

In settlement of a balance due from an agent, the company acquired in 1898 three pieces of unimproved real estate, situated respectively in Chicago, Ill., Highwood, Ill., and St. Louis, Mo. The latter piece of property, carried on the books of the company at a value of \$500, was sold in 1910 for \$1,250. Under section 20 of the Insurance Law, the company received from the Superintendent of Insurance an extension of time until December 14, 1911, in which to dispose of the real estate in Illinois. From correspondence submitted by the company, the property seems to be carried at a reasonable valuation.

Mortgage Loans

The company has invested \$294,000 in loans secured by first liens on New York City real estate. All of the real estate has been appraised by the Department.

Bonds and Stocks

The actual securities were counted and examined, with the exception of \$255,000 par value bonds on deposit with the Insurance Department in Albany; \$20,000 par value bonds on deposit with the Treasurer of the State of Virginia; and \$60,000 par value bonds on deposit with the Insurance Department of Ohio. In each of these cases, certificates of deposit from the proper state officer were received and have been filed with the papers of this examination. The bonds and stocks have been appraised at the market value.

The par value of the stocks owned by the company amounts to \$854,400, and the market value \$1,187,527. The excess of the market value over the book value, amounting to \$14,141.40, is included in the foregoing financial statement as a non-ledger asset.

The par value of the bonds owned by the company amounts to \$867,000, and the market value \$833,190. The excess of book over market value, amounting to \$46,880, has been deducted as an asset not admitted.

Cash

The cash in office was verified by actual count on the morning of January 3, 1910. The deposits in banks were verified and reconciled in the usual manner with certificates from the banks.

LIABILITIES

Loss Reserve

The total estimate for unpaid losses, except liability losses, amounts to \$114,592.72. Included therein is the sum of \$14,120.94, representing claims accrued before January 1, 1910, notice of which did not reach the company until after that date.

Special Reserve for Unpaid Liability Losses

The special reserve for unpaid liability losses has been increased by the sum of \$840.82, representing two additional suits pending on December 31, 1909, omitted through clerical error.

The total amount of this special reserve, computed in accordance with the provisions of section 86 of the Insurance Law, amounts to \$197,383.25. Included therein is the reserve for fifty-eight suits pending on December 31, 1909, on accidents

which have occurred prior to July 1, 1908, amounting to \$24,383.78, at an average cost of \$420.41 per suit. Since January 1, 1910, the company has disposed of twenty-one suits by payment or compromise, at a total cost of \$25,274.95. This would leave thirty-seven suits undisposed of with no reserve provided by law. According to a specific estimate made by the company, it would cost \$17,475 to settle the remaining thirty-seven suits. To meet this situation and other unforeseen contingencies, the company has voluntarily carried in its report to the department a special reserve of \$100,000.

The following are the reserves for unpaid liability losses reported by the company as computed on the basis of the reserve laws of the various states:

New York	}	
Massachusetts		
California		
Illinois		\$196,542 43
Connecticut		188,339 29
Michigan		184,065 21
		222,967 00

Unearned Premiums

The total of the unearned premiums, calculated according to the requirements of the Convention blank, namely, fifty per cent. on one year or less and pro rata on the other policies, amounts to \$748,771.99. If the premiums were calculated on a semi-monthly average, the total of the unearned would amount to \$720,463.43.

Reinsurance Written

By a contract dated January 23, 1909, this company has reinsured all of the accident, health and liability business of the Norwich & London Accident Insurance Association, a foreign corporation admitted to this State. Under section 22 of the Insurance Law, the liability for the unearned premiums has been computed on the gross amount of premiums appearing in the original policies.

Reinsurance Effected

According to a contract entered into with the Munich Reinsurance Company, dated March 1, 1905, this company holds

50 per cent of the premiums due the Munich, as a special deposit, bearing 4 per cent interest.

This sum, amounting to \$12,867.77, is included among the liabilities.

Bills and Accounts Due and Accrued

Actual payments of accrued bills, unpaid on December 31, 1909, were used in making up this item, as against the amount appearing in the Company's statement.

For unpaid taxes, actual payments have been used wherever possible.

Salaries of Officers

The following schedule shows the names of the officers of the company and their compensation:

Edson S. Lott, President.....	\$20,000 00
John Farr, Vice-President.....	2,500 00
D. G. Luckett, Secretary.....	7,500 00
George H. Prentiss, Treasurer.....	2,500 00
Benjamin F. Tracy, Chairman Board of Trustees.....	5,000 00
J. J. Meador, Jr., Assistant Secretary.....	2,500 00
Lester H. Clark, Assistant Treasurer.....	2,500 00
C. S. Petrasch, Counsel.....	11,064 00

Respectfully submitted,

LEON S. SENIOR

Assistant Examiner

JOHN L. TRAIN

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF DUTCHESS } ss.:

Leon S. Senior and John L. Train, being duly sworn, depose and say that they have read the foregoing report, subscribed by them, and that the same is true to the best of their knowledge, information and belief.

LEON S. SENIOR

JOHN L. TRAIN

Subscribed and sworn to before me
this 12th day of April, 1910.

FRANK L. GARDNER

Notary Public

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 13, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under your appointment No. 2312, dated January 6, 1910, hereto annexed, we have examined into the affairs of the District Grand Lodge No. 1, Independent Order of Benai Berith of New York.

History of the Order

The Independent Order of Benai Berith (Sons of the Covenant) was founded in New York on November 12, 1843, and is essentially a Jewish organization. It is at present composed of a supreme body known as the "Constitution Grand Lodge," ten districts governed by "District Grand Lodges" and approximately 400 subordinate lodges with a total membership of about 32,000. The order is active in many directions, mainly philanthropic.

District Grand Lodge No. 1

The District Grand Lodge No. 1 was instituted in 1851, comprising the States of New York, Massachusetts, Connecticut, Rhode Island and the Dominion of Canada, and in the course of years branched out into various activities. In 1878 the present corporate body known as District No. 1 — Independent Order of Benai Berith was chartered by special act of the Legislature (chapter 188, Laws of 1878). The objects of the corporation are set forth in section 2 of that act, and as amended by the Legislature in 1885 and 1896 reads as follows:

"The objects of said organization are hereby declared to be for the cultivation and promotion of charity and benevolence, and moral, mental and social culture among its members, their mutual benefit in case of sickness or distress, and provision for their widows and orphans by means of endowments, and to provide a proper edifice or edifices in which members of the Independent Order of Benai Berith or any of their families, who, through pro-

tracted illness, old age, or extraordinary occurrences, have become unable to work and gain a livelihood, and their orphan children may find a home and an asylum, and for the maintenance of a public library circulating its books in the city and county of New York. The corporation may also, by suitable by-laws and rules, provide for and authorize the payment of endowments to such beneficiaries as may be duly designated in accordance with such by-laws and rules to receive the same, by members of the corporation who may die without leaving them surviving a widow or children."

Merger

The "District No. 1 — I. O. B. B." was incorporated as the result of a merger of the "District Grand Lodge No. 1 — I. O. B. B." and the "Benai Berith Benevolent Society," both of which were in existence as incorporated bodies in the State of New York, but their corporate existence ceased when the merger agreement became effective, August 27, 1878. The property of the "District Grand Lodge No. 1 — I. O. B. B." and of the "Benai Berith Benevolent Society" was transferred to the new corporation and in accordance with the merger agreement, the funds of the merged bodies, together with their accumulations and accretions were to be used only for the purposes for which they were founded. The merger agreement is recorded in the register's office, city and county of New York.

District Grand Lodge

The District Grand Lodge is the governing body of the district and is composed of representatives of lodges, such representatives being elected annually by the lodge members. Past-presidents of lodges as well as ex-presidents of the District Grand Lodge are members of the Grand Lodge, but they have not the right to vote.

The lodges are entitled to the following representation: Less than 50 members, 1 representative; 50 members or more, 2 representatives; 100 members, 3 representatives; and for every additional 100 members or majority fraction thereof, one additional representative.

The District Grand Lodge meets annually and elects the officers and General Committee for the ensuing year. The General Com-

mittee governs the district when the Grand Lodge is not in session. This committee consists of the president, first vice-president, second vice-president, treasurer, chairmen of the standing committees, the president of the board of governors of the "Home," and the counsel of the district.

There are forty-four lodges in District No. 1 with a total membership of 3,485; 1,651 participate in the endowment fund, 1,834 being non-participating members.

Membership

No person is eligible for membership who has not attained the age of 21 years, and no member over 45 years of age can be admitted to participate in the endowment fund. Admission to participate in the endowment fund is further restricted by requiring the applicants to submit written applications to the General Committee, and receive the approval of three-fourths of the entire membership of that committee. Each lodge has its own by-laws subject to the organic law of the order. The dues collected by the lodges vary according to the lodge by-laws, some of the lodges paying sick benefits, funeral expenses and furnishing burying grounds. The lodges pay the Grand Lodge assessments out of the dues collected from members, the lodges being assessed according to their membership.

The per capita tax for the ensuing year as fixed by the Grand Lodge is as follows: For District Grand Lodge, \$1 per member; for general fund (Home for Aged and Infirm), \$3.40 per member; miscellaneous, 12 cents per member; constitution Grand Lodge, \$1 per member.

There is also a mileage tax of 15 cents per member to pay traveling expenses of the representatives and the Grand Lodge officers. The assessment for the constitution Grand Lodge includes an assessment of 40 cents for the support of a hospital for consumptives maintained by the entire order at Denver, Colorado.

The above assessments are paid alike by endowment members and non-participating members. The order issues no certificates to its members.

"Maimonides Library"

In 1852 the "Constitution Grand Lodge" established in New York city a circulating library and reading room which became known as the "Maimonides Library." This library was ceded to the jurisdiction of the District Grand Lodge No. 1, supported by its members and used exclusively for the benefit of its members. Later the city and State contributed toward its support and it was turned into a free public library containing over 100,000 volumes. The city authorities, establishing branch libraries throughout the city, considered that no substantial reason existed for the continued contribution of public moneys to this library, and accordingly withdrew its support. The burden of supporting the library unaided proving too great, the library was closed, the books sold in 1906, and the net proceeds turned into the District Grand Lodge fund.

Home for Aged and Infirm

In 1857 the District Grand Lodge No. 1 created a general fund by taxing each member of the district \$1 per annum. The purpose of the fund as stated in the charter of the Benai Berith Benevolent Society (incorporated December 28, 1859) is as follows:

* * * That the business and objects of said society will be to establish an institution for the support, care and maintenance of persons, who, by reason of old age, sickness or other infirmities, are unable to provide for themselves, * * *

In 1875 the Benai Berith Benevolent Society purchased 9¼ acres of land in the city of Yonkers, and in 1881, District No. 1 commenced the erection of a building thereon. In June, 1882, the "Home" received its first inmates. The total cost of building, land and improvements was \$128,000. The cost of maintaining the "Home" from June, 1882, to December, 1909, including repairs, etc., was \$459,000, and number of persons admitted in that period, 350. The average annual number of inmates was 67, and the average annual cost was \$16,500. On December 31, 1909, there were 76 inmates in the "Home," and the cost of maintenance in 1909 was \$17,895. The per capita tax for

1909 for the "Home" fund was \$3.40 for each member of the district, but the income from that source was about \$6,000 short of the amount needed. The "Home" fund was further augmented by bequests, donations and patrons' dues, etc. The various "Home" funds aggregate \$191,476.78. The largest of these funds is carried on the books of the District Grand Lodge as the "General Fund."

The internal management and administration of the "Home" is vested in a board of governors, consisting of twenty-one members of the Grand Lodge. The governors serve three years, seven governors being elected annually.

In the event of the death of an inmate of the "Home" who at the time of his death was an endowment member of the order, his death benefit reverts to the "Home" fund, unless he leaves a widow or minor children, in which cases the "Home" fund receives only one-half of the death benefit.

Widow and Orphan Endowment

This feature of the "District" has proved the most troublesome of its problems. Originally all members between 21 and 45 years of age, able to pass a physician's examination, were eligible to participate, and their beneficiaries were entitled to \$1,000. No discrimination was made on account of difference in ages of members, a level annual premium (payable quarterly) being charged as dues. The premiums proving inadequate, were frequently raised, all members continuing to pay the same rate until 1893, at which time all members paid \$18 per annum towards the endowment reserve fund. In 1893, the Grand Lodge adopted the following schedule for insurance of \$1,000:

Attained ages		Attained ages	
21-25.....	\$15 00 per annum	35-40.....	\$24 00 per annum
25-30.....	18 00 per annum	40-50.....	27 00 per annum
30-35.....	21 00 per annum	50 and over....	30 00 per annum

Notwithstanding the readjustment of rates, the Grand Lodge in 1902 was obliged to amend the by-laws, reducing the benefit from \$1,000 to \$600, continuing the same rates as above, the ages considered being the attained ages in 1893. Members were per-

mitted to further reduce their insurance to \$500, \$450 or \$300, paying therefor pro rata dues. Members who had not attained the age of 50 in 1893 could participate for \$750 or \$1,000 if they so desired, pro rata, but members over 50 years (attained age in 1893) desiring to carry the larger amounts of insurance had to pay the following rates: \$750, \$56.25 per annum; \$1,000, \$75 per annum.

Since 1902 no change has been made in the rates. On December 31, 1909, there were 1,651 endowment members with outstanding insurance of \$1,009,400, the amount of the Reserve Fund being \$350,260.19. The average age of endowment members is 67.65 years, as shown in schedule of ages attached as "Exhibit B."

No new members have been admitted to participate in the endowment fund during the last 15 years, and it is the evident intention of District No. 1 to eliminate the endowment feature after the existing obligations mature.

Income and Disbursements

The income and disbursements from January 1 to December 31, 1909, are as follows:

INCOME	
Dues for mortuary fund.....	\$47,507 00
Dues and per capita tax for district and general fund	12,501 62
	<hr/>
	\$60,008 62
Deduct payments to lodges.....	19 58
	<hr/>
Total received from members.....	\$59,989 04
Interest on mortgage loans.....	18,348 97
Interest on bank balances.....	1,063 25
Rent	1,495 00
Sale of lodge supplies.....	13 25
Donations for "Home" and charities.....	3,084 55
From other sources	397 93
Bequests	4,188 49
	<hr/>
Total income	\$88,580 48
Balance from previous year.....	572,314 10
	<hr/>
Total	\$660,894 58

DISBURSEMENTS

Death claims	\$85,449 50	
Salaries of officers	2,999 97	
Pension	666 68	
Salary of office employee.....	624 00	
Traveling and other expenses of officers, trustees and committees	1,112 64	
Rent	1,200 00	
Advertising, printing and stationery.....	769 07	
Postage, etc.	537 96	
Lodge supplies	39 00	
Expense of Supreme Lodge meeting.....	167 36	
Legal expense	44 92	
Taxes, repairs and other expenses on real estate	1,491 93	
Maintenance — Home for Aged and Infirm, Yon- kers	17,895 43	
Dues, Constitution Grand Lodge.....	3,398 00	
Other disbursements	1,147 99	
		<u>\$117,544 45</u>
Balance (ledger assets).....		<u>\$543,350 13</u>

The assets and liabilities on December 31, 1909, were as follows:

LEDGER ASSETS

Book value of real estate.....	\$176,218 07	
Mortgage loans	343,000 00	
Deposited in trust companies and banks on interest	23,932 06	
Cash in hands of secretary.....	200 00	
		<u>\$543,350 13</u>

NON-LEDGER ASSETS

Interest accrued on mortgages.....	\$2,837 13	
Rents due	85 00	
		<u>2,922 13</u>
Dues and per capita tax.....		9,407 60
		<u>\$555,679 86</u>

LIABILITIES

Death claims due and unpaid (12).....	\$1,620 72	
Death claims reported but not adjusted.....	3,600 00	
		<u>5,220 72</u>
Total liabilities		<u>\$550,459 14</u>

Income

Of the income, the dues for mortuary fund (\$47,507) and interest on mortgage loans and bank balances (\$18,678.09), a total of \$66,185.09, is credited to the endowment fund; per capita tax (\$4,004.39), interest on bank balances, sale of lodge supplies, etc., (\$1,142.12), a total of \$5,146.51 is credited to the District Grand Lodge fund, and the balance is credited to the various "Home" funds.

Disbursements

The following disbursements were charged against the endowment fund:

Death claims		\$84,857 50
Salary of secretary	\$2,499 97	
Pension	666 68	
Salary of one employee.....	312 00	
Rent	600 00	
Advertising	135 52	
Postage	62 81	
Legal expense	37 53	
Auditor	50 00	
Bonds for secretary and treasurer.....	100 63	
		<hr/> 4,465 14
		<hr/> \$89,322 64

The pension was given to a former secretary who held the office for many years, and who died August, 1909. The pension was discontinued at his death. The disbursements charged to the District Grand Lodge amounted to \$7,990.18, and the balance was disbursed from the various "Home" funds. The condition of the various funds is shown in "Exhibit A" attached to this report.

*ASSETS**Real Estate*

The real estate owned by the Order consisted of —

(1) A tract of land situated about 1½ miles south of Getty Square, Yonkers, Westchester county, New York. Said land was conveyed by Isabella G. Rollins and Gustavus A. Rollins to the Benai Berith Benevolent Society by deed, dated February 25, 1871, and transferred to this Order under a merger agreement which is previously referred to in this report. The "Home" has been erected on this land.

(2) A plot of ground (200 ft. x 25 ft.) with the buildings thereon, known as 101 Manhattan street and 106 Lawrence street, borough of Manhattan. Said property was acquired by foreclosure and conveyed by a referee's deed, dated July 25, 1878, to the Benai Berith Benevolent Society and transferred by it to this Order in the same manner as the Yonkers property.

In the foregoing schedule of assets, this item has been carried at \$176,218.07 (book value), the department not having completed its appraisal.

Loans on Bond and Mortgage

This item, amounting to the sum of \$343,000, is represented by 29 loans secured by bonds and mortgages on real estate, all located in New York county, with the exception of one parcel located in Brooklyn, Kings county. The Society holds title insurance policies, one issued by the Title Guarantee and Trust Company, and 15 issued by the Lawyers' Title Insurance Company, both of New York. In all cases not covered by title insurance the society is in possession of abstracts of title.

Article seven, section two of the by-laws of the Order provides that "in no case shall any loan be made upon real estate at a greater rate than sixty per cent. of the actual value."

Cash in Hands of Secretary

The sum of \$200 has been placed in the hands of the secretary for petty cash purposes. At the end of each month a check is drawn to cover such petty cash disbursements. In that manner the \$200 is always kept intact on the last day of the month. An affidavit was obtained from the secretary to the effect that said sum was in his possession at the close of business December 31, 1909.

Deposited in Banks and Trust Companies

This item was checked with cash books, check books, bank pass books, and when reconciled with outstanding checks, agreed with the balances as shown by certificates obtained from banks and trust companies.

The books of the Order are well kept, and the accounts are audited annually by a public accountant. The death benefits are paid promptly. When death benefits have not been paid on account of the incompetence of the beneficiaries to receive same,

it has been the custom of the secretary to transfer the amounts due to a fund called "unpaid death claim fund." It has been suggested that such funds be deposited in a savings bank as a trust fund, and that the secretary should report the condition of this fund when making his annual reports.

The representatives of the lodges (constituting the District Grand Lodge), meeting annually, receive the reports of all standing committees and officers. These reports are referred to committees specially appointed during the annual meeting, and the special committees make their reports and recommendations, the Grand Lodge acting upon the recommendations after discussion. The proceedings of the Grand Lodge, including the reports, are printed in full, and obtain a commendable degree of publicity. The officers and committees of the Grand Lodge apparently discharge their duties conscientiously and faithfully. The only paid officer is the secretary, who receives a salary of \$3,000 per annum.

Following is the list of Officers and General Committee for the year 1910-1911:

Officers

President.....	Harry Cutler
First Vice-President.....	Jos. H. Ullman
Second Vice-President.....	Rev. Dr. Jos. Silverman
Treasurer.....	Sol. Sulzberger
Secretary.....	Samuel Berliner
Counsel.....	Simon M. Roeder
Sergeant-at-Arms.....	Herman Schallek

General Committee

Samuel Fleischman	Adam Wiener
John J. Rosenzweig	Chas. Hartman
Adolph Wald	A. K. Cohen
J. Louis Lehman	C. Joseph Fox
Alfred Weil	Chas. M. Stern
Sim. M. Lion	

The District No. 1, incorporated by special act of the Legislature, is operating under article VII of the Insurance Law, as a mutual benefit fraternity, as defined by section 233. The Order has been reporting to the Insurance Department since 1881, in accordance with chapter 256, Laws of 1881, which chapter placed the charitable, benevolent and beneficiary societies under the su-

pervision of the Superintendent of Insurance. In making the annual report to the Insurance Department, the Order has heretofore only reported the condition and transactions relating exclusively to the endowment fund. It being the opinion of your examiners that all the receipts and disbursements of the District No. 1, I. O. B. B., come within the scope of the department, the Order proposes to file an amended report for the year ending December 31, 1909, including therein all its funds and the transactions relating thereto.

SETH C. McARTHUR

Examiner

SAMUEL DEUTSCHBERGER

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Seth C. McArthur and Samuel Deutschberger, being duly sworn, depose and say that the foregoing report subscribed by them, is true to the best of their knowledge and belief.

SETH C. McARTHUR

SAMUEL DEUTSCHBERGER

Subscribed and sworn to before me,
this 18th day of April, 1910.

[L. S.]

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 13, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with your appointment No. 2324, hereto annexed, I would respectfully report that I have made an examination of the condition and affairs of the Hudson Horse Insurance Company of New York, a corporation for the insurance of

domestic animals, operating under the provisions of Article VIII of the Insurance Law. This examination covers the period from the authorization of the company down to March 5, 1910.

While the home office of the company is nominally at No. 1234 Myrtle Avenue, Brooklyn, New York city, and the President, Secretary and Treasurer have their offices there, no records of any kind were found at the home office, except the bank deposit book of the Williamsburg Trust Company, the official depository of the Company. Such of the registers, applications, claim papers, receipts, cancelled checks and books of account as I was able to locate were found in the branch office at No. 320 Broadway, New York city.

At the time of commencing my examination (March 7, 1910), none of the books of account had been posted since December 31, 1909, and there were at hand no means of verifying any item therein, except the paid death claims and the outstanding liabilities therefor as of that date. The auditor was thereupon instructed by the officers to post the books to date, and my final figures are deduced from the records and vouchers submitted.

Income and Disbursements

From the cash book, with such additional information as was obtainable by the examination of sundry vouchers, the income and disbursements appear to have been as follows from September 21, 1909, to March 5, 1910.

On deposit, as per examiner's report on organization, dated September 15, 1909.....	\$428 00
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INCOME

Membership fees: Class "A".....	\$342 00
" " " "B".....	1,142 42
" " " "X".....	598 95
" " " "D".....	322 50
Extra assessment of November, 1909.....	60 42
<hr/>	
Total received from members.....	2,466 29
Interest on deposits.....	66
<hr/>	
Total receipts	\$2,894 95

DISBURSEMENTS

Losses paid	\$837 00	
Commissions	827 94	
Salaries of directors	705 00	
" " employees	44 00	
Rent	34 54	
Furniture and fixtures	25 00	
Insurance fees	50 00	
Advertising and printing	178 10	
Veterinary services	132 00	
Sundries	15 33	
		<hr/>
Total disbursements		\$2,848 91
		<hr/>
Balance as per records		\$46 04
		<hr/> <hr/>

Assets and Liabilities as of March 5, 1910.

ASSETS

Balance in Williamsburg Trust Company	\$258 01	
Less sum due Joseph D. Dixon	211 97	
		<hr/>
		\$46 04

LIABILITIES

Losses unpaid, net of assessments and part premiums due	\$1,261 16	
Salaries of directors	800 00	
Organization expenses	250 00	
Salary of employee	5 00	
Rent	10 43	
Veterinary services	44 35	
Printing bill	19 00	
		<hr/>
Total liabilities		2,389 94
		<hr/>
Excess of liabilities over assets		\$2,343 90
		<hr/> <hr/>

Expenses of Management

At the first meeting upon organization, a minute was made of an obligation to pay S. A. Langfur \$250 for organization expenses, the same to include the charges of Sam Hoffman.

At the same meeting, four of the directors were voted an annual salary each of \$780, the fifth director resigned shortly thereafter, and his successor draws a salary at the rate of \$520 per annum, making the standing charges at \$70 per week or \$3,640 per year.

The commissions also average 33 $\frac{1}{3}$ % and at least two of the directors draw commissions as well as salaries.

I have carried the former sum and the unpaid portion of the latter sum as liabilities. It is contended by the officers of the company that an agreement was made September 21, 1909, whereby four of the directors agreed to pay out of their own pockets the organization expenses of \$250, and a copy of the alleged agreement was furnished me. It does not appear why it was necessary to make an entry in the minutes of that date of such an obligation, if it were already provided for on the same date. There has also been produced a copy of an alleged agreement on the part of these same four directors, dated December 31, 1909, whereby they agreed to forego all back salary at that date and all future salaries which should be at any time four weeks overdue. On the basis of such an agreement, the liability for unpaid salaries of directors would be \$180, but inasmuch as no record of this agreement appears in the minutes, I have carried the same at \$800.

Officers

The original officers were: President, Joseph D. Dixon; vice-president, Sol. J. Javitz; secretary, B. Langfier; treasurer and counsel, S. A. Langfur; director, J. A'Costa.

A'Costa resigned as director and F. B. Zwickert was elected director in his place, with charge of the Bronx office.

S. A. Langfur resigned as treasurer and Dixon was elected in his place, leaving the present officers as follows: president and treasurer, Joseph D. Dixon; vice-president, Sol. J. Javitz; secretary, B. Langfier; counsel, S. A. Langfur; director, F. B. Zwickert.

Bank Accounts

The original deposits were made in the Lawyers' Title Insurance & Trust Co. in the name of the Hudson Horse Insurance Co. by S. A. Langfur, treasurer. No deposit book of this account has been produced for your examiner, nor any cancelled checks thereof. For the purpose of checking this account, I have been compelled to use the stubs in the check book. These stubs are numbered serially and correspond with the disbursements entered in the cash book during said Langfur's term of office. I have secured

from the trust company a transcript of the account, which shows many other withdrawals by checks, which could not have been from the particular check book produced and the items of which do appear in the cash book. The transcript also shows that this account was not closed out until February 10, 1910.

At the election of Joseph D. Dixon as treasurer, the Williamsburg Trust Company, of Brooklyn, was designated as the depositor for the company's funds. This account was opened December 15, 1909, and the deposit book thereof was furnished your examiner, but I have not been able to reconcile the same with the cash book. The cancelled checks submitted by Mr. Dixon, through the auditor, were partly drawn on this account and partly drawn on his own personal account in another bank. With the help of a memorandum book, it was possible to reconcile these checks in the most of cases with the disbursements from December 17, 1909, to February 28, 1910. In order to reconcile the balance certified to me by the trust company with the balance as found in the company's cash book, I have made a deduction of the difference as a sum due Joseph D. Dixon. This deduction is admitted by the officers.

Membership

There are four classes of members: Class "A," in which the charge of \$12 per year is supposed to cover all the expenses of the year, but these members may be assessed in case of any abnormal losses. Class "B" provides the same terms, but the money is paid on the installment plan. Class "X" is the original form in which the members paid \$4 per \$100 of insurance as a membership fee, and are assessable whenever losses occur. Class "D" represents a rider on the other policies covering death by poison.

Of the original fifty-two members of Class "X" at the time of organization, thirty-two lapsed out in November on the first assessment, the call for \$200 yielding only \$60.42. The remaining twenty had not paid the second assessment at the date of my examination.

The second extra assessment was levied February 1, 1910, upon all classes of members at the rate of \$5 per each \$100 of insurance. This assessment was due March 3, 1910. On March

5, 1910, none of this had been paid in. According to article V, section 5, subdivision "D" of the by-laws, not paying extra assessments within thirty days forfeits membership and all claim to any unearned premium. If this rule were rigidly enforced, there would remain no members other than the eleven individuals who now have claims for losses and whose assessments are chargeable against such claims.

Unpaid Losses

Admitted:				
Name	Claim	Credits	Net Liability	
M. Katz	\$100 00	\$5 00	\$95 00	
H. Goldstein	100 00	11 00	89 00	
F. Molniari	100 00	5 00	95 00	
M. Goldberg	100 00	11 00	89 00	
G. Ebert	100 00	.....	100 00	
J. Serling	100 00	5 00	95 00	
				\$563 00
Cancelled by Resolution:				
H. Moore & Son	750 00	505 59	\$244 41	
S. Wachatinsky	325 00	187 50	137 50	
A. Hirshorn	75 00	63 75	11 25	
				393 16
Contested:				
M. Luckman	175 00	50 00	\$125 00	
P. J. Sniffen	200 00	20 00	180 00	
				305 00
Total liability for losses.....				\$1,261 16

The company carries the six losses which it admits as above listed at \$545, contending that there should be an allowance of \$6 each in the cases of Katz, Molniari and Serling. This contention does not seem to be justified by the application papers.

On March 12, 1910, resolutions were drawn canceling all of the policies of Moore & Son, Wachatinski and Hirschorn, the "company retaining customary short rates for the time the policy has been in force, and the cost of procuring said insurance," and by these two calculations extinguishing the balance due the insured according to the above table. A careful study of the policy shows that this extra charge is only possible when the insured applies for the cancellation, and not when the company initiates the process. No evidence was submitted to me that either of the

three parties had accepted these conclusions or abandoned their claims.

No satisfactory evidence was produced to show that either of the contested policies should be so classified.

Mortuary Fund

By resolution of September 22, 1909, the original \$428 was devoted entirely to the Mortuary Fund and not less than 33½% of all future premium receipts and the total of all extra assessments were to be set apart for the same purpose. The operation of this rule would leave \$453.38 in the Mortuary Fund over and above all sums paid for losses up to March 5, 1910. I have made no charge for this, however, in view of the fact that the provision for a mortuary fund was rescinded November 13, 1909, but I submit the fact that the policy itself calls for the payment of claims out of the mortuary fund, for the collection of such a fund and thus implies its existence. It is further evident that the necessity for abolishing the fund within two months of the authorization of the company indicates an excessive ratio of expenses.

Annual Statement

In attempting to verify the annual statement made to the Insurance Department, as of December 31, 1909, I find that the balance on hand should have been \$235.33, instead of \$204.33, as stated, the difference being accounted for, in part, by the fact that one death loss was only paid in part, which was carried in the cash book as paid in full.

The annual statement contains no liabilities whatsoever. I find that on December 1, 1909, there were the following outstanding liabilities:

For unpaid death losses (four claims)		\$475 00
Unpaid bills:		
Stationery	\$11 10	
Auditor	25 00	
Veterinary services	62 00	
		98 10
Other liabilities:		
Organization expenses	\$250 00	
Salaries of directors	520 00	
		770 00
Total liabilities December 31, 1909		\$1,343 10

Total liabilities, December 31, 1909, \$1,343.10, leaving the company with a deficit at that date of \$1,107.77, instead of a surplus of \$204.33, as reported. The same argument as given above applies to the "other liabilities." In the matter of the unpaid losses, it is submitted that two of them, amounting to \$200 appeared in the journal as of December and that the other two were known to the officers before the filing of the annual statement, one being sworn to before a notary in 1909, on blanks furnished by the company.

Deceptive Literature

I submit herewith, marked Exhibit "A," a circular issued by the company, in which it refers to its business for three months, makes a statement of losses paid during sixty days, and quotes a newspaper advertisement referring to the "years of insurance experience possessed by its directors."

The business of the "last three months" is for August, September and October, during one of which the company was not yet authorized to do business.

The losses paid "during the last sixty days," which would create the impression of being in September and October, were really paid in November and December, and instead of being "only some of the claims" are in reality all of the claims actually paid, and one item is \$28 in excess of the amount received by the claimant.

So far as can be ascertained, only two of the directors have had previous insurance experience and that with industrial life business only.

Liability as Admitted by the Company

For the purposes of comparison, I submit herewith a statement of assets and liabilities as admitted by the company:

ASSETS

Balance on hand March 5, 1910.....	\$46 04
------------------------------------	---------

LIABILITIES

Unpaid losses (net).....	\$545 00	
Four weeks arrears of salary.....	180 00	
Due employee	5 00	
Rent	10 43	
Veterinary services	44 35	
Printing bill	19 00	
Total liabilities		803 78
Excess of liabilities over assets.....		\$757 74

Conclusion

It will be seen from the above report that the company is now insolvent, both on the statement of your examiner and on the admission of the company itself, and that its further transaction of business will be hazardous to its policyholders, to its creditors and to the public.

Respectfully submitted,

GEORGE E. TALMAGE,
Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, being in amendment of the same report, subscribed and sworn to by him, on the 16th day of March, 1910, is true to the best of his knowledge, information and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me,
this 13th day of April, 1910.

[SEAL]

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 15, 1910

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

Sir.—In accordance with your directions contained in appointment No. 2306, hereto annexed, dated December 13, 1909, I have made an examination of the Glens Falls Insurance Company, which examination comprised an investigation at the home office at Glens Falls, N. Y., and at the office of the company's western department at Chicago, Ill. The examination was made for the purpose of verifying the annual statement filed with the Insurance Department for the year ending December 31, 1909.

A statement showing the income and disbursements for the year 1909 and the assets and liabilities as of December 31, 1909, is herewith respectfully submitted.

INCOME	
Gross premiums	\$2,499,862 35
Less reinsurance	\$225,838 26
Less return premiums.....	302,173 83
	<hr/> 523,012 09
Total premiums	\$1,971,850 26
Interest	230,600 16
Rent	5,015 40
Agents' balances previously charged off.....	180 25
Profit on sale of real estate.....	\$4,707 95
Profit on sale of bonds.....	18,070 00
Profit on sale of stocks.....	31,043 50
	<hr/> 53,821 45
Total income.....	\$2,261,467 52
Ledger assets January 10, 1909	4,709,890 49
Total	<hr/> \$6,971,358 01

DISBURSEMENTS

Losses paid	\$861,341 89
Adjustment expenses	26,161 49
Commissions	417,052 32
Miscellaneous agency expenses.....	78 71
Salaries of special agents, \$97,370.31; ex- penses, \$48,685.11	146,055 42
Salaries of officers and employees.....	48,354 76
Rents	12,000 00
Advertising, \$7,761.63; printing and stationery, \$13,634.29	21,415 92
Postage, telegraph and express charges.....	18,938 62
Legal expenses	339 67
Furniture and fixtures, \$983.56; maps, etc., \$6,290.55	7,274 11
Taxes, State, county, board and fire patrol....	77,982 71
Taxes, real estate.....	1,765 40
Expenses, real estate.....	1,077 64
Expenses, office	10,542 13
Dividends.	230,000 00
Loss bank deposit (Euclid Avenue Trust Com- pany).....	2,418 50
Agents' balance charged off.....	53 95
Profit and loss (bank balances).....	5 29
Loss on sale of stocks.....	17,942 50
Decrease by adjustment in book value of bonds.	12,967 83

Total disbursements \$1,913,768 86

Balance ledger assets January 10, 1910..... \$5,057,589 15

ASSETS

Book value of real estate.....	\$36,482 01
Mortgage loans	1,574,525 00
Book value of bonds..... \$2,102,367 13	
Book value of stock..... 385,743 94	
	2,489,111 07
Cash in bank and trust companies.....	718,964 49
Cash in office.....	537 37
Uncollected premiums (net).....	238,869 21
Deposit with Philadelphia Underwriters Asso- ciation	100 00
Total ledger assets.....	\$5,057,589 15

NON-LEDGER ASSETS

Interest due, \$1,579.25, and accrued, \$5,973.83, on mortgages	\$7,553 08	
Interest due, \$625, and accrued, \$18,114.16, on bonds	18,739 16	
Interest accrued on other assets	1,286 99	
Rents due	150 00	
Total		\$27,729 23
Market value of bonds and stock over book value		87,745 93
Market value of real estate over book value		25,000 00
Gross assets		<u>\$5,198,064 31</u>

Deduct Assets Not Admitted

Uncollected premiums representing business written prior to October 1, 1909	10,665 45	
Total admitted assets		<u>\$5,187,398 86</u>

LIABILITIES

Gross unpaid losses	\$136,398 48	
Less reinsurance	16,255 55	
		\$120,142 93
Unearned premiums on one-year risks	\$496,201 19	
Unearned premiums on term risks	1,618,577 46	
Total unearned premiums		2,114,778 65
State taxes due or accrued		30,000 00
Federal tax due or accrued		3,500 00
Sundry bills due		1,589 28
Contingent profits due agents		12,181 91
Reserve for dividends		180,000 00
Total amount of all liabilities except capital		<u>\$2,462,192 77</u>
Capital stock	\$200,000 00	
Surplus over all liabilities	2,525,206 09	
Surplus to policyholders		<u>2,725,206 09</u>
Total liabilities		<u>\$5,187,398 86</u>

Explanation of Differences in Annual Statement

All items of assets and liabilities as set forth in the company's annual statement to the department December 31, 1909, have been carefully checked, and result in an increase of the surplus from \$2,434,925.79 to \$2,525,206.09. Said total increase is partly accounted for by the fact that the market rates used by the depart-

ment are, in most cases, higher than those used by the company, with the result that the total market value over book value of its bonds and stocks was increased from \$21,558.93 as reported in the annual statement to \$87,745.93 or an increase of \$66,187. In determining the value of the company's bonds, market values were used instead of amortized values in accordance with section 18 of the Insurance Law, the market values being lower than the amortized values. The balance of the increase in surplus is practically accounted for by the difference in the valuation of the real estate owned, which was carried by the company at the book value, or \$25,000 less than the value set forth in the report, as explained below under the heading of "Real Estate."

The company's statement for the year 1909 as filed with the Insurance Department was found to be approximately correct but the few corrections necessary in its list of assets are accounted for in the following manner, viz.: Cash in bank has been reduced in the sum of \$105.29. Of this amount \$100 is reported separately under the head of "Deposit with the Philadelphia Underwriters Association." The balance of \$5.29 represents the difference in the company's credit in two banks and that called for by the books. This small difference could not be explained by the officers, having existed for some time, and therefore it was necessary in this examination to charge off said amount to profit and loss. It, therefore, appears in the list of disbursements above set forth. In the list of non-ledger assets, interest due and accrued, the amount \$27,729.23, as reported in this examination, is in excess of that reported by the company to the amount of \$276.64. This increase is owing to the fact that the company in computing its interest due and accrued did not take full credit for all moneys due.

In the list of assets not admitted, the company deducted from its gross assets the sum of \$9,190.21 for uncollected premiums more than three months overdue but, as a result of a careful examination of the company's uncollected premium account, both at the home office at Glens Falls, N. Y., and the office of the Western Department, Chicago, Ill., it was found that, through errors and omissions, the company should have deducted the sum of \$10,665.45.

Following are the corrections in the company's list of liabilities as a result of this examination. The unpaid losses were found to be \$68.38 less than the company reported in its annual statement to the department. However, at the date of this examination it was found that a number of these losses had been adjusted for amounts less than as reported, the company receiving credit for the difference. On the other hand, there were several losses not included in its statement to the department, notice of the same not having been received by the company until January, 1910. There was also found to be a further credit due for reinsurance on said losses, all of which resulted in the difference of \$68.38, as stated above.

In the list of liabilities, the amount due and accrued for State taxes, as reported by the company in its annual statement, has been increased by this examination from \$27,500 to \$30,000. By applying the same ratio of taxes paid on 1906 premiums to the premium income of 1909, the result is approximately \$30,000, as above reported.

There is a further liability of \$3,500 which was not set forth in the company's annual statement, but was reported by said company to the Internal Revenue Bureau at Washington, D. C. In accordance with the Federal Corporation Tax Law this amount represents a tax of 1 per cent. on the net income of the company for the year 1909.

From an examination of the company's books at the Chicago office there was found an additional liability of \$1,589.28 for sundry bills due and unpaid. This amount was not reported by the company in its annual statement, but has been included in this report.

There is included in the company's list of liabilities the sum of \$20,000, representing an estimate by the company of the contingent profit due agents. By an examination of the books, it was found that during the month of January, 1910, the sum of \$12,181.91 was paid on this account, said amount representing the payment in full. Therefore, only said sum of \$12,181.91 was charged in the report of this examination.

Real Estate

The real estate owned consists of eight (8) parcels, the book value of which amounts to \$36,482.01. Though schedule "A" of the annual statement sets forth the market value as \$66,350, the company has claimed no credit for the difference, and for the purposes of this report it was deemed advisable to carry the book value except on the home office building (parcel No. 1 in schedule), which was appraised by the Department in 1905 at \$50,000, an increase of \$25,000 over the book value.

Loans on Bond and Mortgage

The company has 196 bond and mortgage loans representing an invested principal in the sum of \$1,574,525. The mortgage papers in connection with these loans, together with the fire insurance policies, were examined and compared with the company's property books, and the total amount of these loans as stated above and reported by the company in its annual statement was found to be correct.

A list of the various parcels so mortgaged has been submitted to you for the attention of the appraisers of the Department.

Bonds and Stock

The bonds and certificates of stock in the possession of the company were counted, and the total amount of such securities, together with certificates representing deposits with various insurance departments, were found to be as represented in the company's annual statement.

The following is a list of securities on deposit with the fiscal officer of various States of the United States:

List of Securities	Par Value	Name of State	Date of Certificate
New York City, 3½%, 1952.....	\$100,000	New York	Feb. 21, 1910
New York City, 4%, 1957.....	50,000	New York	Feb. 21, 1910
West Shore R. R., 4%, 2361.....	50,000	New York	Feb. 21, 1910
Georgia State, 3½%, 1919.....	25,000	Georgia..	Feb. 21, 1910
Pendleton City, Ore., 5%, 1929.....	25,000	Oregon...	Feb. 24, 1910
Richmond City, Va., 4%, 1923.....	11,000	Virginia..	Feb. 21, 1910

The bonds and stock owned by the company were listed at the rates fixed in accordance with the action of the National Convention of Insurance Commissioners, with the following results:

	Company's Market Value	Department Market Valuation
Bonds	\$2,103,970 00	\$2,127,447 00
Stocks	405,700 00	448,410 00
Total	<u>\$2,509,670 00</u>	<u>\$2,575,857 00</u>

Department market valuation in excess of company's market valuation, \$66,187.

Annexed to this report is a schedule of the securities owned by the company setting forth the book, par and market value of same.

Cash in Bank and Trust Companies

The amount of these deposits have been examined and compared with the books of the company and the certificates from banks. The following is a list of the banks and trust companies and the respective deposits therein:

Name of Bank or Trust Company	Amount of Deposit
First National Bank of Chicago, Ill.	\$41,614 19
National Bank of Glens Falls, N. Y.	233,082 44
Chase National Bank of the City of New York.	55,586 53
First National Bank of Glens Falls, N. Y.	358,681 33
First National Bank, South Glens Falls, N. Y. (certificate of deposit)	5,000 00
Cleveland Savings and Loan Company, Cleveland, Ohio (certificate of deposit)	10,000 00
Union Savings and Loan Company, Cleveland, Ohio (certificate of deposit)	15,000 00
Total	<u>\$718,964 49</u>

Unearned Premiums

The unearned premium liability of the company, as set forth in its statement in the sum of \$2,114,778.65, appears after a careful examination to be practically correct. In testing the accuracy of the company's computation, a few errors were found, but such errors were not in the aggregate sufficient to alter the final result. The company's method of computing its unearned premium fund could be simplified if a more modern system was in use, facilitating to a great extent the work of verification.

Dividends

The company pays each year a regular semi-annual dividend of 15 per cent. on its capital stock, amounting to the sum of

\$60,000, and also a special dividend which is duly authorized by the board of directors in resolution adopted January 16, 1901, a copy of which is annexed to this report. In view of said resolutions this special dividend became a liability and was so considered by the company, as appears from a further resolution adopted at a meeting of the board of directors, held November 3, 1905, a copy of said resolution also being attached hereto. The item under the head of reserve for dividends in the sum of \$180,000 as reported by the company represents the above-mentioned special dividend, being approximately 50 per cent. of the company's net profits for the year 1909.

Capital Stock

The capital stock of the company is the sum of \$200,000, and is divided into 20,000 shares of \$10 each. From an examination of the stock ledger, and the stock certificate book, it was ascertained that there have been issued certificates of stock representing 20,000 shares of the par value of \$10 each.

History of the Company

The company was originally organized on May 4, 1850, as The Dividend Mutual Insurance Company, and reorganized as a stock company, under its present name, April 30, 1864, with a capital stock of \$100,000 paid in, and divided into 10,000 shares of \$10 each. On January 29, 1867, the company amended its charter and increased its capital stock \$100,000, making the total capital stock from said date the sum of \$200,000, divided into 20,000 shares, par value \$10 each. The charter of the company was extended for a period of thirty years from and after the thirtieth day of April, 1894, in accordance with the provisions of chapter 680, Laws of 1892.

The company issues policies in accordance with the special reserve fund and guaranty surplus law (sections 130, 131 and 132 Insurance Law), and has on deposit with the New York State Insurance Department the sum of \$200,000 as a special reserve fund. It also has a guaranty surplus fund of \$200,000. Both of these funds, aggregating \$400,000, are included in the company's surplus of \$2,525,206.09, as reported in this examination.

At the time of the San Francisco conflagration the company had involved 799 of its outstanding policies, on which the company was called upon to pay a liability in the sum of \$1,658,266.22. Of this amount \$524,601.88 was reinsured. There still remain unpaid two claims of \$1,000 and \$750, respectively, the delay in paying the same being due to the fact that the policies covering said claims are reinsurances of the Williamsburg City Fire Insurance Company, and are still in litigation and cannot be paid until a settlement is effected by the original company.

The following is a list of the officers of the Glens Falls Insurance Company, and the yearly compensation received by each:

J. L. Cunningham, president.....	\$8,000
R. A. Little, vice-president.....	8,000
E. W. West, secretary.....	8,000
C. J. De Long, treasurer.....	5,000

General Remarks

The company's system of keeping its accounts and records has been in use practically without material change for a number of years, and in but few respects meets the requirements of the modern idea of insurance accounting. The losses are recorded on cards, and it would appear advisable that such account should be kept in a permanent record, which might be supplemented by the card record for the company's own convenience if considered necessary. Except in the office of the Western Department no policy registers are kept, it being necessary, therefore, in drawing off the reserve to have recourse to the agents' monthly reports. It is quite important, in my opinion, that a full and complete account of the policies issued should be contained in a book of permanent record. While it is unnecessary to particularize further, it may be stated that, though the records are correctly kept, the system in vogue does not lend itself to a verification of the accuracy of the accounts without the expenditure of much time and labor. That the officers are cognizant of the fact that the accounting department is open to improvement is indicated by the action of the executive committee, which on December 10, 1909, passed a resolution, the import of which is that the vice-president, secretary and treasurer, acting as a committee, shall "adjust and change the work on treasurer's desk."

This company in its annual statements to the Insurance Department for a number of years past has involved such statements with certain transactions which took place subsequent to the close of the year, and up to the date of closing the books, covering usually a period of ten days. By reason of such procedure the annual statement for the year 1909 sets forth a condition which to some extent is incorrect. The corrections necessary, however, to show the actual condition on said date, are not material in affecting the company's surplus, but it would appear advisable that this company be duly notified to report in all future statements called for by the Department its actual condition on the date required. Had the company closed its books on December 31, 1909, the financial condition would appear to have been as follows:

STATEMENT DECEMBER 31, 1909

Assets

Book value of real estate.....	\$36,482 01	
Mortgage loans	1,579,365 00	
Book value of bonds.....	\$2,102,367 13	
Book value of stock.....	385,743 94	
	<hr/>	2,488,111 07
Cash in bank.....	645,529 12	
Cash in office.....	3,032 16	
Uncollected premiums (net).....	305,850 20	
Stock dividend Iron City Trust Company.....	3,200 00	
Deposit with Philadelphia Underwriters Association	100 00	
	<hr/>	
Total ledger assets.....		\$5,061,669 56

Non-Ledger Assets

Interest due, \$10,003.47, and accrued, \$6,055.18, on mortgages.....	\$16,058 65	
Interest due, \$625, and accrued, \$20,071.66, on bonds	20,696 66	
Interest accrued on other assets.....	4,606 64	
Rents due	977 50	
	<hr/>	
Total		42,339 45
Market value of bonds and stock over book value.....		87,745 93
Market value of real estate over book value.....		25,000 00
		<hr/>
Gross assets		\$5,216,754 94

Deduct Assets Not Admitted

Uncollected premiums representing business written prior to October 1, 1909	\$15,408 82
Total admitted assets.....	<u>\$5,201,346 12</u>

Liabilities

Unpaid losses	\$131,626 29
Unearned premiums on one-year risks.....	\$496,201 19
Unearned premiums on term risks.....	1,618,577 46
Total unearned premiums.....	<u>2,114,778 65</u>
State taxes due or accrued.....	30,000 00
Federal taxes due or accrued.....	3,500 00
Contingent profits	12,181 91
Reserve for dividends.....	180,000 00
Sundry bills due.....	9,379 36
Unpaid reinsurance premiums.....	3,656 47
Total amount of all liabilities except capital.....	<u>\$2,485,122 68</u>
Capital stock	\$200,000 00
Surplus over all liabilities.....	<u>2,516,223 44</u>
Surplus to policyholders.....	<u>2,716,223 44</u>
Total liabilities.....	<u><u>\$5,201,346 12</u></u>

Respectfully submitted,

CHARLES H. GARDNER
Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

CHARLES H. GARDNER

Subscribed and sworn to before me
this 15th day of April, 1910.

KATE F. CAHILL

[L. S.] Notary Public New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 21, 1910

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.—Acting under the instructions contained in your appointment No. 2350, dated April 1, 1910, we have made an examination of the condition and affairs of the Dutchess Insurance Company, a corporation organized under the provisions of article III of the Insurance Law, and now in process of liquidation by its directors, acting as trustees in conformity with the provisions of section 35 of the General Corporation Law. This examination was made as of March 31, 1910.

The following is a financial statement of the condition of the company on said date:

I. *Assets in the possession of the trustees as shown on the books of the company*

Bonds and stocks	Par value	Market value
Poughkeepsie Light & Power Co 5s 1914	\$5,000	\$5,000 00
Elmsford & Westchester certificate of indebtedness	3,000	1,946 64
Chicago, Rock Island & Pacific 4s 2002	10,000	8,100 00
Metropolitan St Railway 100 shares	10,000	1,800 00
General Adjusting Bureau 3 shares	150	150 00
Par and Market Values.....	\$28,150	\$16,996 64
Cash in office		98 78
Cash in bank		10,140 60
		<hr/> \$36,236 02

II. *Assets in possession of Frank B. Lown, as trustee*

Stocks	Par value	Market value
United Railways Invest Co pref S F 100 shares	\$10,000	\$6,700 00
Cleveland C C & St Louis Ry Co 100 shares	10,000	8,600 00
Consolidated Gas Co 400 shares..	40,000	56,800 00

Southern Railway Co M & O 100		
shares	\$10,000	\$8,400 00
Denver & Rio Grande Ry Co 100		
shares	10,000	3,900 00
	<hr/>	<hr/>
	\$80,000	\$84,400 00
Cash in bank		717 85
	<hr/>	<hr/>
Total		\$85,117 85

III. *Non-Ledger Assets*

Bills and accounts receivable	
Due from Dutchess Fire Insurance Company	
on account of commissions for reinsurance.	\$40,334 00
Due from Dutchess Fire Insurance Company	
on account of over-payment of unearned pre-	
miums	8,000 00
Due from L. H. Vail Special account	2,242 44
	<hr/>
Total	50,576 44
	<hr/>
Total assets	\$171,930 31

IV. *Liabilities*

Unpaid losses, resisted	\$3,800 00
Capital stock	200,000 00
	<hr/>
Total liabilities	203,800 00
	<hr/>
Impairment of capital stock	\$31,869 69
	<hr/>

HISTORY

The Dutchess Insurance Company was reorganized from "The Dutchess County Mutual Insurance Company," and converted into a joint-stock fire insurance corporation on March 21, 1900.

On June 20, 1900, it obtained the authority of the Superintendent of Insurance to transact business in accordance with the provisions of article III, chapter 690, Laws of 1892. The charter of the corporation expired by limitation on April 12, 1906, and was extended for one year by a special act of the Legislature.

In accordance with the provisions of section 35 of the General Corporation Law, the directors have constituted themselves as trustees for the purposes of liquidation. No final action for the dissolution of the company has been taken and no financial account rendered to the stockholders.

The last examination by the Department was made as of December 31, 1906, and the company has filed no reports with the Department since that date.

SAN FRANCISCO CONFLAGRATION

In April, 1906, the company sustained heavy losses by reason of the San Francisco conflagration and, according to an examination made by the Insurance Department as of June 30, 1906, the assets of the company amounted to \$771,000, and its liabilities, except capital, to \$1,368,000.

The claims for losses amounted to \$1,000,000 and the unearned premium liability to \$368,000.

Several hearings were held by the Superintendent of Insurance as a result of this examination and were adjourned from time to time. A receivership was avoided by representations and promises made by the company that in compromising claims with policyholders it would make no preferred or unequal payments, and that it would liquidate and go out of business without saving anything for the stockholders, its desire being to pay out what it had equally among its creditors and save the expense and long delay involved by a receivership.

On August 30, 1906, a memorandum was issued by the Insurance Department, in the terms of which the company concurred. This memorandum recites that the company is not transacting new business and that the management in protecting the interests of its policyholders will observe the opinion of the Attorney-General as to the use of funds in which all creditors, whether by fire loss or unearned premium, have an equal legal right to share.

COMPROMISING CLAIMS

The bulk of the claims were compromised at 30 per cent. of their face value, and part of them on the representation that the Insurance Department would not allow the company to pay any higher amount. The following telegram addressed by the president to Myers M. Hodge, its adjuster at Oakland, California, and dated August 24, 1906, is an illustration of the representations made by the company:

"Insurance Department will not allow us to pay over thirty. Hearing on receivership Monday.

(Signed) L. H. VAIL"

This representation was called to the attention of the Department by the policyholders, and was promptly repudiated by Superintendent Kelsey in a letter dated September 27, 1906, stating as follows:

"As this department has never in any way directed or indicated what might be allowed or paid by your company in settlement of San Francisco losses, the above statement is a misrepresentation and apparently a fraudulent one. It is difficult to understand how business men dealing honestly can allow themselves to impose upon this department in such a manner."

Claimants who did not agree to compromise on a 30 per cent. basis and threatened suit were paid higher amounts, and in some rare instances received the full amount of the claim.

PURCHASING OF CLAIMS THROUGH FRANK B. LOWN

In October, 1906, the company conceived the idea of purchasing the claims of its policyholders in the name of a third party. Frank B. Lown, an attorney at Poughkeepsie, a friend and neighbor to the president, was brought in the situation and agreed to allow his name to be used as the purchaser of claims. By request of the president, he signed three notes for \$20,000 each as the maker, and six of the directors of the company indorsed these notes. The following are the names of the indorsers of these notes: Lewis H. Vail, Milton A. Fowler, I. Reynolds Adriance, Edward S. Atwater, Samuel H. Moore, J. Frank Hull.

The notes were discounted in three of the local banks and the proceeds were used in making compromise settlements with policyholders. An account was opened with the Trust Company of America, and the adjusters at San Francisco drew on the funds in this bank, signing their names to the draft as attorneys for Frank B. Lown.

The total face value of the adjusted claims thus settled through the use of Mr. Frank B. Lown's name amounted to \$150,304.92. The actual amount paid to policyholders by reason of the compromise amounted to \$75,692.73. No entries of payments to policyholders appear on the cash books of the company until

March 30, 1907. On that day a payment of \$130,069.92 was made to Frank B. Lown in cash and securities, and receipt of it acknowledged by him April 2, 1907, in the following words:

"POUGHKEEPSIE, April 2, 1907.

I have received from the Dutchess Mutual Insurance Company certain securities and moneys—\$124,850 in securities; \$5,219.92 in money,—which are transferred to me in full payment, satisfaction and discharge of all claims for loss and damage by fire or otherwise and certain policies of insurance heretofore issued by the said company on property in San Francisco, and which policies and all claims against the company by reason thereof and under the same have been assigned to me.

I hereby state and declare that I hold said securities and will hold all interest or dividends received on the same as trustee for myself as the maker and for I. Reynolds Adriance, Lewis H. Vail, Edward S. Atwater, Milton A. Fowler, J. Frank Hull and Samuel H. Moore as the endorsers on three certain demand notes of \$20,000 each, dated October 22, 1906, with the proceeds of which I have taken said policies and such assignment of said claims.

(Signed) FRANK B. LOWN."

On May 9, 1907, a further payment was made to him of \$16,100, and on May 27, 1907, a final payment was made of \$4,135. All of the three payments were acknowledged by him and receipted for on the said respective dates.

Mr. Frank B. Lown was examined under oath and his testimony filed with this report is substantially as follows:

That the arrangement was made with him at the request and solicitation of President Vail; that he received no compensation and simply acted in the matter for the purpose of accommodating President Vail; that he personally had nothing to do with the details involving the adjustment and the purchase of the claims; that the total received by him from the company is substantially correct as given in the above statement; that he is now the possessor of securities having a market value approximating \$85,000, and that the same are held by him in trust for the individuals named in his foregoing declaration of trust; that he never corresponded with any of the adjusters of the company; that he knew of no account in the Trust Company of America, and that he kept no record of income and disbursements; that all matters regarding the question of interest, dividends, income and disbursement of this particular fund were carried on and managed by President Vail; that the notes have since been paid and that he has no further interest in the matter.

It would appear, therefore, that Mr. Lown loaned President

Vail or the directors of the old company the use of his name in a transaction, the result of which was the placing of certain of the assets of the company — which, in the opinion of the examiners, have always belonged and still belong to such company — out of the reach of process. This transaction was carried through by President Vail apparently without proper or, at any rate, sufficient reports to his associates on the board or to the Insurance Department, through entries on the books of the company which did not express the true facts, and by other omissions; with the result that the Insurance Department and such creditors or loss claimants as were from time to time interested in such funds were deceived as to the facts. In the opinion of the examiners, therefore, the difference between the adjusted value of the claims and the actual amount paid to policyholders belongs to the company.

SPECIAL ACCOUNTS

The bookkeeping of the company for the period is in the utmost confusion. Special accounts were created under various titles, and the income derived from agents' accounts, from dividends and from other sources were received by the officers, not credited on the books of the company at the time, but placed to the credit of certain special accounts. One of these accounts was known as the L. H. Vail special account. Moneys received and belonging to the company were deposited in bank to the credit of this special account and do not appear on the books of the company until a later period. Thus, we find that commissions received in 1907 and 1908 do not find their way on the books of the company until 1909. A complete statement of the income and disbursements of the special accounts is now in course of preparation and will be submitted when completed. The creation of these special accounts and withholding of the funds of the company for certain periods from 1906 down to 1909 indicates to your examiners the object and the purpose of the company to conceal its assets for fear of suits and legal proceedings by its creditors.

SPECULATION WITH TRUST FUNDS

It appears that the securities turned over to Mr. Frank B. Lown and held by him in trust were used for speculative purposes.

From March 31, 1909, to November 17, 1909, two active accounts under the title of "Lewis H. Vail, Special," and "Frank B. Lown, Special," were carried with the firm of C. & E. Randolph.

A transcript of these accounts was obtained from the books of the said firm and a complete statement, showing losses and gains, interest and dividends, is now in course of preparation and will be submitted when completed.

LOANS TO OFFICERS

On the day your examiners appeared in the office of the company a deposit was made by the president for the sum of \$14,000 through his personal check. It appears that this deposit was made in order to make good a memorandum which had been carried in the cash drawer of the company for nearly a year. This memorandum represented an indebtedness of the president to the company. In this connection, attention is called to the testimony given by Mr. Frank L. Gardner, the bookkeeper of the company.

ASSETS

I. *In Possession of Trustees*

The books of the company show total ledger assets amounting to \$37,786.02, consisting of the following items:

Cash, amounting to	\$19,239 38
Securities { book value	18,546 64
{ market value	16,996 64

Cash in bank, deposited to the credit of the "Trustees of the Dutchess Insurance Company," was verified by the certificate from the bank. Securities were examined and appraised at their market value.

II. *In Possession of Frank B. Lown*

The circumstances under which Mr. Frank B. Lown, as trustee, became the possessor of certain securities having a market value of \$84,400, are described elsewhere in this report. Mr. Lown has submitted the securities for inspection and appraisal by your examiners.

III. *Bills and Accounts Receivable*

On August 18, 1906, the company entered into an agreement of reinsurance with the Dutchess Fire Insurance Company, a corporation organized on the same date. The basis and terms of the contract of reinsurance are disputed, and conflicting testimony has been given as to the nature of this agreement. The facts are substantially as follows: The minutes of the executive committee of the Dutchess Fire Insurance Company contain two contradictory records of this reinsurance agreement. The first one is dated August 18, 1906, and reads as follows:

"Meeting of the Executive Committee.

Present: John N. Lewis, S. H. Moore, M. A. Fowler, L. H. Vail.

M. A. Fowler offered the following:

'Resolved, that the President be authorized to reinsure the business of the Dutchess Insurance Company, or such parts thereof as he deems best, upon a basis of 25 per cent. off from the pro-rata unearned premium.'

Unanimously carried.

(Signed) J. J. GRAHAM, *Secretary.*"

This record is on page 103 of the minutes of the company and has been torn or cut from the book.

The second record of this meeting appears in a new book of the company, is dated August 18, 1906, and reads as follows:

"Meeting of the Executive Committee.

Present: John N. Lewis, S. H. Moore, M. A. Fowler, L. H. Vail.

M. A. Fowler offered the following resolution:

'Resolved, that the President be authorized to reinsure the business of the Dutchess Insurance Company, or such part thereof as he deems best, at the pro-rata unearned premium or less.'

Unanimously carried.

(Signed) J. J. GRAHAM, *Sec'y.*"

In this connection we refer to the testimony given before your examiners by Secretary J. J. Graham. According to Mr. Graham's testimony, the first record was cut out by Mr. Vail in the presence of Mr. Graham and Mr. Fowler, with instructions to Mr. Graham to destroy it. The page contains interlineations in pencil in the handwriting of Mr. Milton A. Fowler, vice-president of the company. We refer to his testimony taken before your examiners, the substance of which is that the interlineations were made by him and that he had no authority for making this change in the record. In looking for the reason

which actuated the officers to mutilate and alter the records of the company, the testimony of Mr. Graham brings out clearly the fact that the object of it was to influence the decision of the examiner of the Insurance Department as to the liabilities of the new company; that is to say, the new company which had then been organized could not proceed under the laws of this State, if a liability for commissions on account of the reinsurance contract, approximately amounting to \$60,000, appeared in its financial statement. That a commission for the reinsurance of the business was contemplated from the beginning, is unmistakable and is clearly shown by the records of the company. In view of the fact that the Dutchess Insurance Company turned over its entire plant, its assets representing the unearned premiums on unexpired risks, and practically the whole of its business to the Dutchess Fire Insurance Company, a commission of 25 per cent., as recited in the record torn from the books of the executive committee, is by no means excessive. Payments on account of commissions to the old company were begun as early as December 31, 1906, when we find an entry on the cash book showing a payment of \$8,000 from the Dutchess Fire Insurance Company to the Dutchess Insurance Company. This payment was made by a check dated January 17, 1907, but under the usual methods of the company's confused bookkeeping it did not find its way into the books or bank accounts of the Dutchess Insurance Company until April 22, 1909. The total payments on account of the reinsurance commission, as shown by the books of the Dutchess Fire Insurance Company, amount to \$23,000. The books of the trustees show receipts for the same purpose amounting to \$33,000.

PERSONAL GIFT FROM THE PRESIDENT

One of the numerous developments in the examination of Mr. Vail, as to the condition shown by the books of the two companies, is his statement under oath to your examiners that this difference of \$10,000 is to be accounted for by a present made by him in the sum of \$10,000 to be applied on account of the reinsurance commission. An investigation of this statement shows that the speculation in the trust funds carried on by President Vail re-

sulted in an estimated profit of approximately \$11,500, and that the \$10,000 referred to by Mr. Vail represents a portion of these profits.

On February 1, 1910, the minutes of the executive committee of the Dutchess Fire Insurance Company (the new company) contain a resolution establishing the rate of commission to be paid to this company. The rate is named at 15 per cent., and the amount at \$38,000. In view of all the conflicting records and the contradictory testimony given as to the amount of the reinsurance commission due from the Dutchess Fire Insurance Company to this company, your examiners have concluded that the record as it originally existed on the books of the new company, specifying the rate of commission at 25 per cent., is the true record of the company and in force; that the total amount of commissions as computed on the basis stated in the aforesaid record amounts to \$63,334; that \$23,000 having been paid on account, there is still a balance due to this company from the Dutchess Fire Insurance Company amounting to \$40,334.

This item has been included in the foregoing financial statement as an asset of the company.

TRANSFER OF SECURITIES

The reinsurance agreement herein referred to was consummated on August 18, 1906, and the payments thereunder, amounting to \$253,336.39, were made by securities and in cash at various dates. The major portion of the unearned premiums was turned over to the Dutchess Fire Insurance Company on August 30, 1906, largely in securities. We have made comparisons of market values of securities as quoted by the company with quotations furnished by the Department appraiser and we find that they have been undervalued by the sum of \$8,000.

This item is included in the assets of this company as an amount due from the Dutchess Fire Insurance Company.

LIABILITIES

The liabilities of the company are: First, capital stock, amounting to \$200,000, and, second, unpaid losses, which are resisted by the company, amounting to \$3,800.

CONTINGENT LIABILITIES

In addition to the liabilities stated in the foregoing financial statement there is, in our opinion, a further contingent liability for suits in equity, which will in all probability be filed by policyholders, who have signed releases on the strength of untrue or misleading statements made to them by the company's officers and adjusters.

IMPAIRMENT OF CAPITAL STOCK

The foregoing financial statement, without taking into account the contingent liabilities above mentioned, shows an impairment of capital stock amounting to \$31,869.69.

TESTIMONY

Frank B. Lown, Lewis H. Vail, president, Milton A. Fowler, vice-president and counsel, I. Reynolds Adriance, Edward S. Atwater, Samuel H. Moore, trustees, J. J. Graham, secretary, and Frank L. Gardner, bookkeeper, were examined under oath and the testimony given by them is filed with this report. Briefly summarized, it shows the absolute domination of President Vail over the affairs of the company and the indifference of the trustees as to matters vitally affecting the interest of the policyholders, stockholders and creditors of the company. It shows conclusively that records were mutilated, assets transferred with the object of concealing the true condition of the company from its policyholders, creditors and the public.

CONCLUSION

In the opinion of your examiners, this company, prior to the expiration of its charter, violated the same and the laws of the State, by making false entries in its books and by attempting to place its assets beyond the reach of loss claimants and others. In their opinion, also, President Vail has forfeited the confidence reposed in him both as president of the company and as chairman of its liquidating trustees, by making personal loans and advances to himself out of its funds without authority, by using its funds in a speculative account, by failure to keep true books of ac-

count of its affairs, and by indifference to the interests of its loss claimants and creditors.

For these reasons, in the opinion of your examiners, a continued liquidation of the affairs of this company under the control of President Vail would be unsafe and hazardous to its creditors and stockholders. This is peculiarly true if, as is stated, some of the loss claimants by reason of the San Francisco disaster were led to compromises of just claims by misrepresentations authorized by the executive management of this company.

Respectfully submitted,

(Signed)

LEON S. SENIOR,

JOHN L. TRAIN,

Examiners.

STATE OF NEW YORK }
COUNTY OF DUTCHESS } ss.:

Leon S. Senior, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

(Signed)

LEON S. SENIOR.

Subscribed and sworn to before me,
this 7th day of May, 1910.

(SEAL)

ROBERT G. GRAHAM,

Notary Public.

STATE OF NEW YORK, }
COUNTY OF DUTCHESS, } ss.:

John L. Train, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

(Signed)

JOHN L. TRAIN.

Subscribed and sworn to before me,
this 7th day of May, 1910.

(SEAL)

ROBERT G. GRAHAM,

Notary Public.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 9, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.—Acting under the instructions contained in your appointment No. 2318, dated January 6, 1910, we have made an examination of the condition and affairs of the Dutchess Fire Insurance Company, a corporation organized under article III of the Insurance Law. This examination was made as of March 31, 1910.

The following is a financial statement of the condition of the company on said date:

Ledger Assets

Book value of real estate.....	\$15,000 00	
Mortgage loans on real estate	25,300 00	
Book value of bonds	306,631 14	
Book value of stocks	204,743 75	
Cash in hands of Mr. L. H. Vail for investment on bond and mortgage	3,000 00	
Cash in company's office	12,640 11	
Deposits in banks not on interest.....	27,651 38	
Agents' balances, representing business written subsequent to January 1, 1910.....	77,325 84	
Agents' balances, representing business written prior to January 1, 1910.....	5,729 05	
	<hr/>	
Total ledger assets.....		\$678,021 27

Non-Ledger Assets

Accrued rents	\$105 50	
Interest accrued on mortgages	249 44	
Interest accrued on bonds	3,247 87	
Market value of bonds and stocks over book value	5,100 11	
	<hr/>	
		8,702 92
Total assets		<hr/> \$686,724 19

Deduct Assets Not Admitted

Agents' balances, representing business written prior to Jan. 1, 1910.....	\$5,729 05
Total admitted assets	<u>\$680,995 14</u>

Liabilities

Unpaid losses	\$55,608 43	
Unearned premiums	301,772 54	
Salaries, rents, expenses, bills and accounts, due and accrued	1,983 53	
State, county and municipal taxes, due and accrued	4,000 00	
Reinsurance premiums due other companies...	4,744 44	
Amount due to the trustees of the Dutchess In- surance Company for commissions on rein- surance	40,334 00	
Amount due to the trustees of the Dutchess In- surance Company for under valuation of securities	8,000 00	
Total liabilities, except capital.....		\$416,442 94
Capital	\$200,000 00	
Surplus	64,552 20	
Surplus to policyholders.....		<u>264,552 20</u>
Total liabilities.....		<u>\$680,995 14</u>

ORGANIZATION

The Dutchess Fire Insurance Company, hereafter called the new company, was organized on the 17th day of July, 1906, with a capital stock of \$200,000, divided into 2,000 shares of \$100 each. On August 18, 1906, it received the authority of the Superintendent of Insurance to transact the business of fire insurance, as provided by article III of the Insurance Law of this State.

REINSURANCE CONTRACT

On the same day an arrangement was entered into with the Dutchess Insurance Company, hereafter called the old company, to reinsure the business of the latter on a certain basis, the terms of which are embodied in a resolution of the executive committee adopted at a meeting held on August 18, 1906. This resolution originally appeared on the records of the company in the following form:

"Resolved, that the President be authorized to reinsure the business of the Dutchess Insurance Company, or such parts thereof, as he deems best, upon a basis of 25 per cent off from the pro rata unearned premium."

The leaf containing the above resolution was cut out from the minute book, the minutes rewritten in a new book, and the resolution altered to read as follows:

"Resolved, that the President be authorized to reinsure the business of the Dutchess Insurance Company or such parts thereof as he deems best, at the pro rata unearned premium or less."

The secretary of the company has testified before your examiners that the leaf was cut from the book in his presence and in the presence of Vice-President Fowler, by President Vail, and that the same was handed to him with instructions to destroy; that an examination as to the condition of the old company or the organization of the new company was then in progress by the Insurance Department of this State, and that the object of this act was to mislead the examiner, so as not to show a liability for commissions on the reinsurance contract due from the new to the old company.

The members of the executive committee present at the meeting of August 18, 1906, consisted of Messrs. L. H. Vail, J. N. Lewis, M. A. Fowler and S. H. Moore.

The president in his testimony at first persistently denied that any such resolution was passed, maintaining that it would have impaired the company from the start; but when confronted with a memorandum of the minutes of the meeting in his own handwriting, admitted that the record as it appeared on the leaf cut from the minute book is a true record of the meeting.

Mr. John N. Lewis testified that no such resolution was passed at any of the meetings of the executive committee but, on being informed that the president in his testimony of April 22d had confirmed the accuracy of the record, declared that if the president had so testified it must be true.

Mr. M. A. Fowler admitted that the changes and interlineations appearing on the said record were in his handwriting and made without any authority.

Mr. S. H. Moore does not remember whether he was present at the meeting or not, nor does he remember the nature of the

resolution passed by the committee; but admits that he is not an insurance man and does not know the meaning of the term "unearned premium."

Assuming that the latest testimony as given by President Vail is true, the commission which has accrued to the old company by reason of the reinsurance contract, and amounting to \$63,334, was a liability on the part of the new company from the date of its inception.

The company has never carried this item as a liability in the several statements rendered to the Department from December 31, 1906, to December 31, 1909, inclusive.

That a commission was contemplated is evidenced by the wording of the resolution in either form and by the fact that the new company has since paid the sum of \$23,000 at various dates, the first payment having been made on December 31, 1906, and the last payment on March 31, 1910.

The old company had sustained heavy losses by reason of the San Francisco conflagration and at the time the reinsurance arrangement was being carried through it was admittedly insolvent. According to an examination made by this Department as of June 30, 1906, the assets of the old company amounted to \$771,000, and its liabilities, except capital stock, to \$1,368,000. It was then compromising its policy obligations at thirty cents on the dollar, on the plea that its financial condition did not permit it to pay a higher figure, and that anyway it was not allowed to pay more than 30 per cent. by the Insurance Department. The latter statement is characterized by Superintendent Kelsey, in a letter dated September 29, 1906, as "a misrepresentation and apparently a fraudulent one."

Regardless of the involved condition of its affairs and the doubtful legality of its action, in view of the opinion rendered by the Attorney-General on May 4, 1906, to the effect that loss claimants are entitled to share equally with unearned premium creditors in the distribution of the assets of an insolvent corporation, it transferred to the new company immediately upon its organization securities and cash aggregating \$253,000, representing the full unearned premiums on nearly all of the unexpired risks in

force, to say nothing of the plant and equipment, which unquestionably possessed a commercial value.

In 1907 the new company purchased from the old company the office building and paid for same the sum of \$15,000. It also acquired the furniture and fixtures at a cost of \$1,800, and maps for \$3,200.

We find evidence of an offer of reinsurance in the minute book of the directors of the old company under date of April 28, 1906, in the following words:

"Mr. G. C. Howe presented an offer to reinsure the business, less 25%, which on motion was declined."

In his testimony President Vail also declared that the Royal Insurance Company made an offer to reinsure on the basis of the pro rata unearned premium, less 25 per cent. commission.

It is claimed by the directors that the offer made by Mr. G. C. Howe was to reinsure part of the business and that it was made on behalf of the Royal Insurance Company.

On July 13, 1906, the directors of the old company passed the following resolution:

"*Resolved*, that it is the sense of the Board not to attempt to assess the stockholders to carry on the business of the company, and that the President be authorized to reinsure the business of the company at the best terms possible."

Possessing the authority as expressed in the resolutions of the directors of both companies, the president did carry out a contract of reinsurance. The question for our determination is whether the terms of this contract are contained in the vague and ambiguous resolution now appearing on the minutes of the executive committee, providing for reinsurance at the pro rata unearned premium or less, or in the resolution as it originally appeared on the leaf cut from the company's records.

In the light of the facts and the evidence produced at this examination, your examiners are of the opinion that the record on the leaf cut from the book of the executive committee is a true record evidencing the contract entered into between the two companies at the time the reinsurance arrangement was made, and that the action of the executive committee created a liability for commissions due to the old company and amounting to \$63,334.

COMMISSION ACCOUNT

On December 24, 1906, the board of directors adopted the following resolution:

"Whereas, This company has reinsured a large amount of the risks of the Dutchess Insurance Company and has received in payment therefor the regular reinsurance reserve without any commission, arrangement for commission or other reduction therefor,

"Resolved, That a committee of five members of this board be appointed to consider whether any allowance should be made to the Dutchess Insurance Company and, if so, how much; this committee to confer with the officers of that company or a committee of its board and to report its recommendations at the next meeting."

On February 1, 1910, the minutes of the executive committee of the new company contain a resolution determining the rate of commission to be paid to the old company at 15 per cent. and the amount at \$38,000.

The books of the new company show payments on account of commissions to the old company amounting to \$23,000. The books of the old company show payments received for the same purpose amounting to \$33,000.

In his testimony explaining this difference, President Vail stated that the sum of \$10,000 represented a gift made by him to the new company, to be applied in payment of commissions due to the old company.

An examination of the accounts of the old company brought out the fact that the above sum represented a part of the profits derived from speculation with the securities belonging to the old company or its stockholders.

In computing the commission account between the two companies we have ignored this credit of \$10,000, as the president was not legally capable of making a gift of property to which he had no legal title.

EXPENSES OF ORGANIZATION

The expenses of the organization of the new company, amounting to \$1,020.85, were paid from the funds of the company on the following dates:

November 8, 1906, L. H. Vail.....	\$507 25
December 31, 1906, M. A. Fowler.....	513 60

It appears that, in letters from the company to the Massachusetts department requesting a license to transact business in that state, representations were made "that President Vail personally has met all initial expenses of the company," and that "expenses that have been incurred were voluntarily paid by parties as a contribution without any expectation of being reimbursed for same;" thereby creating the impression that no liability existed for expenses incurred during the organization of the company.

The payments, as shown above, clearly indicate that a liability for the expenses of organization had been incurred and existed at the time the company made these representations to the Massachusetts department.

INVESTMENT OF CAPITAL STOCK

The capital stock of the company has not been entirely invested as required by section 16 of the Insurance Law. We find that on December 31, 1909, that portion of the capital stock not invested in accordance with the provisions of the above section amounted to \$8,748.85, and on March 31, 1910, it amounted to \$5,870.

This is partly due to the practice which prevails in placing certain funds which are intended for investment on bond and mortgage loans to the credit of the personal account of L. H. Vail, instead of being carried in a separate fund for the benefit of the mortgagor by the company itself.

On December 31, 1909, the sum held by the president in this manner, and charged to the investment account, amounted to \$5,648.85. On March 31, 1910, it amounted to \$3,000.

COMMISSIONS PAID TO THE PRESIDENT

Messrs. Vail, Sutton & Vail are the general agents for the Dutchess Fire Insurance Company in Poughkeepsie and, according to the contract with the company, receive a commission of 20 per cent., in addition to a contingent commission of 10 per cent., dependent upon the profits of the business. Mr. L. H. Vail, the president of the Dutchess Fire Insurance Company, is a member of said firm.

On February 4, 1909, the Dutchess Fire paid to L. H. Vail the sum of \$483.96, the above amount representing the contingent commissions due to the firm of Vail, Sutton & Vail as per contract. The check for the above payment was drawn to the order of L. H. Vail, indorsed, and deposited by him to the credit of his personal account. No record of this payment appears on the books of the said agency.

W. B. Dusenbury, a clerk in the office of Vail, Sutton & Vail, acts as an agent for the Dutchess Fire Insurance Company and receives a commission of 25 per cent. and 10 per cent. contingent. Mr. Dusenbury is a personal employee of L. H. Vail and all business written by any officer, home office employee or unattached agent of the Dutchess Company goes through the Dusenbury account. On this business, the officer, home office employee or unattached agent receives 15 per cent. commission, the balance being credited to the Dusenbury account and, together with the contingent, deposited in bank by L. H. Vail to the credit of his personal account. No part of such commission is credited to the account of Vail, Sutton & Vail, nor does any record of the Dusenbury account appear on the books of the said firm.

By an arrangement with the North River Insurance Company, Mr. L. H. Vail acts as agent for the said company for business ceded by the Dutchess Fire Insurance Company to the North River Insurance Company on policies written in Poughkeepsie and vicinity. A contingent commission of 10 per cent. is paid by the North River to Mr. Vail as a consideration for his influence in securing the business from the Dutchess Fire, of which he is president.

In his testimony, given in his examination of April 21st (page 93), Mr. Vail stated that the contingent commissions were paid by the North River to the firm of Vail, Sutton & Vail, of which he is a member. On February 17, 1910, the North River paid to Mr. L. H. Vail, by check to his order, the sum of \$260.49, this amount representing the contingent commissions for the year 1909. Mr. Vail offered \$130 of the said contingent commissions to Mr. Graham, the secretary of the company, who has refused to apply the proceeds to his personal use, but has deposited the same in the bank to the credit of the company.

We seriously question the propriety of a president of an insurance corporation, who receives a liberal compensation for his services from the company, acting also as an agent for his company and for another insurance corporation, thus representing different interests and profiting by the influence which he possesses by virtue of his office.

The directors of the company in a memorandum submitted at a hearing on this report have stated that all the said transactions were known to the directors of the company and the methods complained of had the approval of the directors, and in the opinion of the directors were in no way improper and in no way detrimental to the interests of the Dutchess Fire Insurance Company.

AGENCY CONTRACTS

Among the agency contracts deserving notice is one entered into with Messrs. Crum & Forster on December 4, 1909. The terms of this contract are expressed in a resolution of the directors of the company, adopted on the above date, and reading as follows:

"Resolved, that the business of the company for the states of Texas, West Virginia, North and South Carolina, be turned over to Messrs. Crum & Forster as general agents for this company for that territory, at a commission of 36%, to cover all expenses, they to return to us their proportionate share of home office expenses on the basis of their business to the whole business written. This arrangement is subject to cancellation on thirty days notice from either party."

ASSETS

Real Estate

The real estate of the company consists of its home office in Poughkeepsie, New York. It was purchased from the old company for the sum of \$15,000.

Pending an appraisal by this Department, we have carried the above amount in the foregoing financial statement as being the reasonable value of the property.

Mortgage Loans on Real Estate

The company has invested \$28,300 on loans secured by bond and mortgage on real estate.

On March 31, 1910, \$3,000 of the above amount was placed in the hands of Mr. L. H. Vail, to be paid by him to the mortgagor. This amount appears as cash in the foregoing financial statement.

Cash in Office and in Banks

The cash in the office of the company and on deposit in banks has been verified in the usual manner and reconciled on the books of the company with the certificates from the banks.

Bonds and Stocks

The securities of the company, consisting of bonds and stocks of the book value of \$511,374.89, have been appraised at a market value of \$516,475. A schedule of these securities is annexed to this report as Exhibit "A."

Agents' Balances

The total sum of net balances due from agents amounts to \$83,054.89.

From this amount the sum of \$5,729.05, representing business over three months old, has been deducted as an asset not admitted.

In the annual statement to the department as of December 31, 1909, the company reported the sum of \$40,495.07 as the total amount of balances due from its agents.

The material difference in this item, as shown by a comparison of the two financial statements above referred to, is due to the fact that on December 31, 1909, the company reduced its agents' balances by the following method:

A note for the sum of \$29,094.29 was signed by the vice-president, endorsed by the assistant-secretary, and deposited in a local bank. The proceeds of the note were placed to the credit of the company and the agents' accounts reduced by the exact amount of the note. Agents' balances were by this method converted into cash and the company's surplus increased by the sum of \$4,141.03, representing balances on business written prior to October 1, 1909, and usually excluded as a non-admitted asset.

All remittances from agents whose accounts had been credited by the above method, were placed, when received at the home

office, at the disposal of the president and by him applied to the cancellation of the above-mentioned note.

The practice of reducing agents' balances, as outlined here, was used for a number of years by both the old and the new company, for the purposes of the quarterly and annual statements to the Department. It is maintained by the president that these transactions represent actual sales of agents' balances and are justified for the reason that other companies use similar methods.

The facts that the "purchasers" of these accounts were invariably the officers and directors of the company, that no consideration was either given or received for the "sale and purchase," and that no instrument in writing was executed by the parties to the transaction, conclusively show that a *bona fide* sale of agents' balances was not contemplated by the above method.

LIABILITIES

Unpaid Losses

The unpaid losses of the company amount to \$55,608.43. Included therein is the sum of \$6,199.64, representing losses which occurred prior to April 1, 1910, but notice of which did not reach the company until after that date.

Unearned Premiums

The unearned premium reserve, computed pro rata on the gross premiums of all policies in force, amounts to \$309,706.36.

From this amount has been deducted the sum of \$7,963.82, representing a credit allowed under the provisions of section 22 of the Insurance Law prior to its amendment by the Legislature of 1910.

Amount Due to Trustees of the Dutchess Insurance Company

As explained elsewhere in this report, the liability for commissions due the old company under the reinsurance arrangement of August 18, 1906, has been computed on the basis of 25 per cent. of the unearned premiums transferred by the old to the new company.

The total amount of commissions on this basis is \$63,334, of

which \$23,000 has been paid, leaving a balance due to the old company amounting to \$40,334.

This sum has been included among the liabilities in the foregoing financial statement.

In the transfer of securities by the old to the new company, as a payment for the unearned premium reserve, securities were turned over at a valuation which, according to an appraisal made by the Department, was insufficient by at least \$8,000. We regard this undervaluation of securities as an overpayment by the old company, and in all fairness this amount should be returned to it by the reinsurer. We have, therefore, included the above sum as a liability due to the old company.

Annexed herewith as Exhibit "B" is a schedule of the securities and their market value as given by the company and the Department appraiser.

DEPARTMENT RECOMMENDATIONS

The facts brought out in this examination were submitted to the directors of the company at a meeting held in Poughkeepsie on April 22, 1910, with the following recommendations:

1. The resignation of L. H. Vail, as president and director, to be tendered at once and accepted by the directors.
2. The new company to take such action as will formally ratify the reinsurance arrangement on the 25% commission basis which was authorized by action of the executive committee of the new company on the 18th of August, 1906; and after such ratification the balance due the old company from the new company to be paid to the trustees of the old company; this action to be taken at once and payment made within ninety days.
3. All other sums found by the examiners to be due from the new company to the old company to be paid promptly on such sums being ascertained and formal notice given to the Department.

ACTION TAKEN BY DIRECTORS

In response to the above recommendations of the Department, the directors held a meeting on April 28, 1910, at which the following action was taken:

"1. *Resolved*, that we have the utmost confidence in our president, L. H. Vail, and earnestly advise him to refuse to resign his office either as president or director of this company. And further

"*Resolved*, that we will not vote to remove him either as president or director.

"2. *Resolved*, that the board of directors of the Dutchess Fire Insurance Company are informed and believe that no reinsurance arrangement on a 25% commission basis was authorized by action of the executive committee of the new company on the 18th day of August, 1906, or at any other time; that said question of reinsurance arrangement is a disputed one and the rate of commission to be paid can only be determined after a thorough judicial examination of the facts and by a decree of the court after a full hearing; that said Dutchess Fire Insurance Company is ready at any time to pay any balance that shall be judicially determined and found due the old company from the new company and is willing and anxious to have this question speedily judicially determined.

"3. *Resolved*, that the board of directors of the Dutchess Fire Insurance Company declines to accept as final and conclusive the report of the examiners as to the amount of the sums that may be due from the new company to the old company and offers and proposes to submit the determination as to the amount of the sums that are due from the new company to the old company to the adjudication of a court of competent jurisdiction."

On April 30, 1910, the directors held a meeting at which the following action was taken:

1. "That the credit to this company of \$10,000.00, being the sum paid over to the trustees by the president, as a profit realized by him through dealings in the market in securities not the property of the Dutchess Fire Insurance Company and credited to us upon the sum to be paid to the Dutchess Insurance Company, as a rebate upon the reinsurance effected in this company, be repudiated by this company, and that the trustees of the Dutchess Insurance Company be requested to cancel such credit item from their record."

2. "That the secretary be instructed to prepare a schedule of the securities taken over from the Dutchess Insurance Company as part payment of the reinsurance, and also the date at which such securities were taken over, and that a committee of two be appointed to submit such schedule to at least two New York stock brokerage officers in good standing, and not interested in any way in the affairs of either the Dutchess Insurance Company or the Dutchess Fire Insurance Company, and request such brokerage firm to examine the records of the New York stock exchange, and state the market value of each separate item in such schedule at the date same were taken over by the Dutchess Fire Insurance Company, such committee to report to the directors at the next regular or special meeting of the board."

3. "*Whereas*, differences have arisen with the superintendent of insurance as to the management of this company, which differences do not in any wise touch upon the matter of solvency, which is admitted by the said superintendent to be beyond all question (the company on the superintendent's own figures having a very considerable cash surplus over and above all liabilities) and such differences being upon the question of management only,

"And, *whereas*, the demands made upon us as to such management are of a nature with which we are unwilling to comply,

"And, *whereas*, we are now in a position financially not only to meet every liability actual or contingent, and by winding up the affairs of this company to return to each stockholder the par value of his or her stock together with a very handsome further sum, being the surplus or accrued profit.

"Resolved, that a committee of two be appointed to act with the president upon the question of reinsuring all the outstanding risks in force in this company, and with full power after confirmation of the directors, with the approval of the superintendent of insurance to enter into a contract of reinsurance with such insurance company as they may select and upon such terms as they may approve, such committee to report action at a special meeting of the directors to be called by the president at the earliest practicable date.

"Resolved, that J. W. Poucher and W. A. Jones shall be and they are hereby appointed with President Vail, the members of said committee."

On May 10, 1910, at a special meeting of the stockholders, the following action was taken:

"Resolved, that we hereby approve the action of the board of directors in the differences which have arisen with the superintendent of insurance, and we assure the board that it has the full support and confidence of the stockholders in the management of the company. Further,

"Resolved, that before any reinsurance be had or any step be taken for dissolution such matters be submitted to the stockholders for their further action.

"Resolved, that it is the sense of this meeting that the honor of Dutchess County and the stockholders of this company demand that a determined effort be made to continue the Dutchess Fire Insurance Company as an active, working organization, subject to all legal and proper requirements of the Insurance Department, and for the best interests of the policyholders and stockholders."

SALARIES OF OFFICERS

The following schedule shows the names and salaries of officers:

L. H. Vail, President.....	\$7,200 00 per annum
M. A. Fowler, Vice-President.....	800 00 "
J. J. Graham, Secretary.....	3,000 00 "
F. L. Vail, Asst. Secretary.....	2,400 00 "

TESTIMONY

The officers of this company were examined under oath and their testimony taken in connection with the examination of both companies has been filed with this report.

CONCLUSION

The executive management of this company, as represented by its president, deserves criticism for the manner in which it has carried out the reinsurance contract with the old company, for the misrepresentation it has made to the supervising department

of this and other states as to the liabilities of the corporation, and for the questionable methods adopted to reduce its agents' balances in the quarterly and annual statements to the Department.

In our judgment it is essential that the directors of this company take prompt and decisive action to carry out the recommendation of the Department submitted in the memorandum of April 22d.

ASSISTANT EXAMINERS

Messrs. W. H. Nangle and W. A. Billingham have participated in the work of this examination.

Respectfully submitted,

LEON S. SENIOR,

JOHN L. TRAIN,

Examiners.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Leon S. Senior and John L. Train, being duly sworn, depose and say that the foregoing report, as amended after a hearing, and subscribed by them, is true to the best of their knowledge and belief.

LEON S. SENIOR.

JOHN L. TRAIN.

Subscribed and sworn to before me

this 9th day of June, 1910.

KATE F. CAHILL,

(L. S.)

Notary Public, N. Y. Co.

EXHIBIT A

Bonds	Par value	Market value
20 Buffalo City Reg Grade Crossing 3½s 1920...	\$20,000	\$18,800
5 L I City General Improvement 4½s 1914.....	5,000	5,100
4 N Y City Reg Change of Grade gold 3½s 1910.	4,000	4,000
10 N Y City Reg Additional Water Mains, gold 3½s 1920	10,000	9,400
30 N Y City Reg New Aqueduct gold 3½s 1920..	30,000	28,200
20 N Y City Reg Sanitary Protection gold 3½s 1920	20,000	18,800
3 N Y City Reg Redemption Bond 1896 gold 3½s 1922	3,000	2,790
3 N Y City Reg Dock gold 3s 1923.....	3,000	2,640

Bonds		Par value	Market value
2	N Y City Reg N Y & Bklyn Bridge Terminal gold $3\frac{1}{2}$ s 1925.....	\$2,000	\$1,840
2	N Y City Dock gold $3\frac{1}{2}$ s 1927.....	2,000	1,840
5	N Y City Reg School Houses & Sites gold $3\frac{1}{2}$ s 1928	5,000	4,550
4	N Y City Reg New Buildings Dept. of Correc- tion gold $3\frac{1}{2}$ s 1928.....	4,000	3,640
10	N Y City Reg American Museum gold $3\frac{1}{2}$ s 1929	10,000	9,100
5	N Y City To provide for Supply of Water gold $4\frac{1}{2}$ s 1957	5,000	5,400
5	N Y City Corporate Stock $4\frac{1}{2}$ s 1957.....	5,000	5,400
$1\frac{1}{2}$	Po'keepsie City Reg Refunding Loan 1900 3s 1910	1,500	1,500
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1911..	1,500	1,485
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1912..	1,500	1,470
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1913..	1,500	1,455
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1914..	1,500	1,440
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1915..	1,500	1,425
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1916..	1,500	1,425
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1917..	1,500	1,410
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1918..	1,500	1,395
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1919..	1,500	1,395
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1920..	1,500	1,380
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1921..	1,500	1,365
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1922..	1,500	1,365
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1923..	1,500	1,350
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1924..	1,500	1,350
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1925..	1,500	1,335
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1926..	1,500	1,335
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1927..	1,500	1,320
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1928..	1,500	1,320
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1929..	1,500	1,305
$1\frac{1}{2}$	Po'keepsie City Reg Ref Loan 1900 3s 1930..	11,500	10,005
10	Po'keepsie City Reg Ref Loan 1902 $3\frac{1}{2}$ s 1923.	10,000	9,500
5	Chesapeake & Ohio Ry Co General Mtg gold $4\frac{1}{2}$ s 1902	5,000	5,050
10	Denver & Rio Grande Ry Co 1st & Refunding Mtg 5s 1955	10,000	9,300
5	Detroit & Flint Ry 1st Cons Mtg 5s 1921....	5,000	4,700
5	Detroit United Ry 1st Cons Mtg gold $4\frac{1}{2}$ s 1932.	5,000	4,100
10	Iowa Central Ry Co 1st Mtg gold 5s 1930....	10,000	10,500
10	Lake Erie & Western R R Co Reg Second Mtg gold 5s 1941	10,000	10,000
10	St. Louis Iron Mountain & So Ry Co Reg Gen'l Con Ry & Land Grant gold 5s 1931.....	10,000	11,000
10	Southern Pacific Co (Central Pacific Stock Collateral) gold 4s 1949.....	10,000	9,000
5	Tenn Coal Iron & R R Co Gen'l Mtg gold 5s 1951	5,000	5,050

		Par value	Market value
Bonds			
5	American Writing Paper Co 1st Mtg sinking fund gold 5s 1919.....	\$5,000	\$4,500
5	Brooklyn Union Gas Co 1st Cons gold 5s 1945.	5,000	5,350
10	Chicago Gas Light & Coke Co 1st Mtg gold 5s 1937	10,000	10,400
10	General Electric Co Convertible Gold Coup Debs 5s 1917	10,000	13,900
5	Lehigh & Wilkesbarre Coal Co Cons Mtg 4½s 1910	5,000	5,000
5	Pacific Light & Power Co 1st Mtg gold 5s 1942.	5,000	4,750
5	Po'keepsie Electric Light & Power Co 5s 1914.	5,000	5,000
8	United Fruit Co Sinking Fund gold Deb 4½s 1923	8,000	7,680
5	Western Union Tel Co Funding & Real Estate Mtg gold 4½s 1950.....	5,000	4,850
7½	N Y & N H Hartford Convertible Deb Cert 3½s 1956	7,500	7,500
Stocks			
200	Balt & Ohio R R Co common.....	20,000	22,200
100	Denver & Rio Grande R R Co preferred.....	10,000	7,800
100	Great Northern Ry Co preferred.....	10,000	13,400
100	Louisville & Nashville R R Co.....	10,000	15,100
100	Manhattan Railway Co.....	10,000	13,800
50	Northern Pacific Ry Co.....	5,000	6,650
200	Pennsylvania R R Co (\$50.00 shares).....	10,000	13,500
10	Fallkill National Bank of Poughkeepsie.....	1,000	1,700
20	Farmers' & Manufacturers' Nat Bank of Po'k.	2,000	3,900
10	Merchants' National Bank of Po'keepsie.....	1,000	1,470
50	National Bank of Commerce of N Y City....	5,000	10,750
100	American Express Co.....	10,000	24,600
100	American Telegraph & Cable Co.....	10,000	7,300
100	American Telephone & Telegraph Co.....	10,000	14,000
200	General Electric Co.....	20,000	29,800
1	Louisville Property Co.....	100	45
100	National Lead Company preferred.....	10,000	10,900
125	William Street Offices Inc N Y City.....	12,500	12,500
Totals		\$471,600	\$516,475

EXHIBIT B

Differences in valuation of securities transferred by the Dutchess Insurance Company to the Dutchess Fire Insurance Company

	Description	Interest	Maturity	Appraisal by Department	Appraisal by Company	Difference
Bonds						
Aug. 18, '06.						
\$47,500	Poughkeepsie City reg refunding loan 1900.....	3%	1906 to 1930*	\$45,050	\$42,161	\$2,889
10,000	Poughkeepsie City reg refunding loan 1902.....	3½%	1923	10,000	9,395	605
20,000	Buffalo City registered "Grade Crossing".....	3½%	1920	19,800	18,900	900
Stocks						
Aug. 30, '06.						
100	Shares American Express Company.....			27,100	23,500	3,600
Dec. 17, '06.						
100	Shares N Y Central & H R R Co re-transferred to the Dutchess Ins. Co. on basis of valuation as of August 30, 1906.....		\$14,500			
	Less N Y Central rights.....		598	13,125	13,902	777
						<u>\$8,771</u>

* \$1,500 due each year to 1929 inclusive and \$11,500 due 1930.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, April 28, 1910

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.—In accordance with the terms of your appointment, No. 2326, I would respectfully report that I have made an examination of the condition and affairs of the New York Life Insurance & Trust Company, of New York, a corporation chartered by an act of the Legislature in 1830, and now operating in part under article II of the Insurance Law. This examination was made as of December 31, 1909.

The company was the pioneer of insurance companies of the State of New York, and its powers and privileges were defined by its charter (a printed copy of which is filed with the papers of this report) as follows:

“Sec. 2. In addition to the general powers and privileges of a corporation, as the same are declared in the third title of the eighteenth chapter of the first part of the Revised Statutes, the corporation hereby created shall have power: 1. To make insurance on lives. 2. To grant and purchase annuities. 3. To make any other contingent contracts, involving the interest of money and the duration of life. 4. To receive moneys in trust; to accumulate the same at such rate of interest as may be obtained or agreed on, or to allow such interest thereon as may be agreed on, not exceeding in either case the legal rate. 5. To accept and execute all such trusts, of every description, as may be committed to them by any person or persons whatsoever, or may be transferred to them by order of the Court of Chancery, or by a Surrogate.”

Starting with a capital of one million dollars (\$1,000,000), it has grown to be an institution of large proportions, the assets at the end of 1909 amounting to \$46,055,991.60.

The banking end of the business is its chief enterprise, and for many years it has reported chiefly to the State Banking Department and has been subject to periodic examinations thereby. By mutual arrangement of the two departments, the

present examination was conducted by both departments, the bank examiners investigating all of the assets and liabilities, and your examiner devoting his attention to the insurance end of the business.

Many of the company's assets are of such a nature that, while they are perfectly proper for a report to the Banking Department, they cannot be regarded as admitted assets under the Insurance Law and practice. It has, therefore, been the custom of the company, in its annual reports to the Insurance Department, to list only such assets as are admitted. For this reason, it has not been found possible, nor deemed necessary, to reconcile the reports from year to year.

I find, however, that a complete ledger account is kept of the insurance end of the business, and the balance of such funds has been treated as though it were a deposit with the New York Life Insurance & Trust Company, and the amount so carried has been reported to the Banking Department as a distinct liability, similar to the other liabilities for "deposits in trust."

All the expenses of management are provided for out of the banking funds, and it is a simple matter of bookkeeping to enter the receipts of premiums and of the consideration for original annuities, to make account of all disbursements to annuitants and policyholders, and to carry forward the balance from year to year, adding thereto a regular increment of interest.

I find that the financial statement of the insurance business for the year 1909 should be carried as follows:

INCOME	
Premiums on life policies.....	\$239 60
Consideration for original annuities.....	91,997 52
	<hr/>
Total received from policyholders.....	\$92,237 12
Interest allowed by Trust Company.....	86,680 79
	<hr/>
Total income	\$178,967 91
Balance as per ledger account December 31, 1908.....	2,637,638 67
	<hr/>
	\$2,816,606 58
DISBURSEMENTS	
Paid annuitants	282 899 97
	<hr/>
Balance December 31, 1909.....	\$2,533,706 61
	<hr/>

ASSETS

(As reported to Banking Department.)

Real estate	\$2,545,028 89
Bonds and mortgages.....	2,865,443 74
Loans on collaterals.....	8,225,091 03
Bills receivable	11,687,750 78
Cash in company's vaults	5,400,000 00
Cash on deposit.....	1,718,997 17
Accrued interest, rents, suspense account, etc.	623,585 80
Bonds and stocks (market value)	12,990,094 19
	<u>\$46,055,991 60</u>

Less:

Deposits in trust	\$37,751,423 57
Annuity fund	\$2,151,585 89
Life fund	382,120 72
	<u>2,533,706 61</u>
Interest due depositors, taxes, etc.	589,060 99
	<u>40,874,191 17</u>

Capital	\$1,000,000 00
Surplus	4,181,800 43
	<u>\$5,181,800 43</u>

Ledger assets of insurance funds.....	\$2,533,706 61
(Protected by capital and surplus as above.)	

LIABILITIES

Net present value of all life policies, Actuaries' Table @ 4% on \$21,500.....	\$16,359 00
Net present value of annuities:	
Actuaries' Table @ 4%.....	\$340,830 00
American Experience Table @ 3½%	1,069,630 00
McClintock Table @ 3½%.	464,027 00
	<u>1,874,487 00</u>

Total reserve	1,890,946 00
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Surplus in the insurance account.....	<u>\$642,760 61</u>
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Practically all of the insurance business has been transacted over the counter without agencies and commissions. In the early days it was considered necessary to justify the purchase of insurance, and a copy of one of the early publications, bearing date of 1849, which explains the principles and operation of insurance on lives and justifies the same, is filed with the papers of this report.

The last life policy was written in 1872, after which date it was felt to be unwise to attempt any competition with the newer companies and their agency forces, it being realized that a safe business depended upon a large number of policies.

Only nine policies remain in force, of which four are "paid-up."

The selling of annuities has continued to the present time, seventeen being written in 1909.

The annuity rates now in use were established many years ago, when reserves were reckoned upon a 4 per cent. basis. Inasmuch as the account is still receiving 4 per cent., these rates might be regarded as safe, and so far as the annuitants are concerned they are safe, in view of the ample surplus of the company.

On the other hand, from the underwriting standpoint, it must be considered that there is a new experience of longevity under our modern civilization, by the operation of which the reserves will reach and possibly pass the ledger balance in the next few years.

It will also be noted that the reserves required by the Department since January 1, 1907, exceed the amount of the original consideration in the case of nearly every annuity written.

For the purpose of comparison, I append a table of rates and reserves for certain selected ages:

AGE OF PURCHASE	Reserve at —				
	4 per cent Combined	3½ per cent American	3¼ per cent McCLINTOCK		Rates charged
			Male	Female	
20	18.45	20.14	20.03	21.93	20.20
40	15.09	16.45	16.30	17.99	16.58
60	9.42	10.03	10.29	11.72	10.63
70	6.32	6.48	6.94	8.14	7.72
80	3.66	3.44	4.00	4.90	4.75

The present officers of the company are: President, Henry Parish; first vice-president, Walter Kerr; second vice-president, Henry Parish, Jr.; third vice-president, S. M. B. Hopkins; secretary, George M. Corning; actuary, Wm. M. d'Espard.

I was assisted in this examination by John J. Cunningham, with whose help I checked up the income and disbursements,

made a comparison of the company's registers with the department register, and prepared the table of reserves.

Respectfully submitted,

GEORGE E. TALMAGE

Examiner

STATE OF NEW YORK
COUNTY OF NEW YORK ss.:

George E. Talmage, being duly sworn, deposes and says that he has read the foregoing report, subscribed by him, and that the same is true, to the best of his knowledge, information and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 29th day of April, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *May 3, 1910*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under instructions contained in appointment No. 2367, hereto attached, I have made an examination of the assets of the Assurance Company of America, as returned by the company in its annual statement to the department for the year ending December 31, 1909.

As the result of such examination, I submit the following as a correct schedule of all assets owned by the company on said date. This schedule is identical with the statement filed by the company with certain changes in market value as noted below.

ASSETS

Bonds:	Par value	Market value	
City of New York reg 3s 1925.....	\$100,000	\$89,000	
City of New York reg 3½s 1927.....	100,000	94,000	
City of New York reg 3½s 1928.....	25,000	23,500	
City of New York reg 3½s 1940.....	50,000	45,500	
City of New York rev 3½s 1910.....	30,000	30,000	
Chicago & Alton R R 3s 1949.....	20,000	15,000	
Lake Shore & M S R R 4s 1928.....	20,000	19,200	
Metropolitan St Ry 4s 2002.....	20,000	10,400	
Richmond & D R R 5s 1927.....	10,000	10,800	
St L I M & S Ry 4s 1929.....	20,000	17,200	
Scioto V & N E R R 4s 1989.....	20,000	19,200	
Total par and market values.....	\$415,000	\$373,800	\$373,800 00
Cash in bank and trust companies.....			6,154 20
Agents' balances representing business written within three months			16,420 23
Interest accrued on bonds.....			3,240 52
Total assets			<u>\$399,614 95</u>

Bonds

The bonds listed above were verified by actual count, excepting the \$30,000 city of New York revenue bonds, maturing in 1910, which were redeemed on January 17, 1910, such redemption being checked with the bank deposit and with entries in the ledger and cash book. On December 31, 1909, the \$100,000 city of New York 3 per cent. registered bonds due 1925 were held by Mr. R. B. Rathbone, president of the company, as security for a loan in the sum of \$40,000. This loan has since been reduced to \$15,000 and on date of this report Mr. Rathbone has only \$50,000 of the above mentioned bonds in his possession as security for \$15,000, the balance of aforesaid loan.

In arriving at the market value, I have used the accepted department quotations adopted at the national convention of insurance commissioners and as the result thereof, the total assets of the company as reported have been reduced in the sum of \$3,675.

Cash in Bank and Trust Companies

The amount of \$6,154.20 carried as an asset under this heading was verified with the bank books, cash book, ledger and certificates of deposits.

Agents' Balances

The sum of \$16,420.23 listed in the foregoing schedule of assets as agents' balances was verified with the ledger and the individual amounts of premiums written between October 1st and December 31, 1909, and unpaid on said latter date.

Interest Accrued on Bonds

This item was verified by actual computation of the amount accrued on each bond from the date of the last interest payment to December 31, 1909.

Respectfully submitted

ISAAC FULD

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Isaac Fuld, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

ISAAC FULD

Subscribed and sworn to before me
this 3d day of May, 1910.

[L. S.]

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 3, 1910

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.— Acting under appointment No. 2363, dated April 12, 1910, and annexed hereto, I have completed the examination of the Merchants' Fire Assurance Corporation of New York.

This corporation was incorporated on February 9, 1910, and

commenced business March 1, 1910, with a capital of \$200,000 and a paid-in surplus of \$300,000.

The examination contemplated the verification of the quarterly statement rendered to the Superintendent of Insurance of the State of New York for the quarter ending March 31, 1910.

I find the financial condition on this date to have been as follows:

ASSETS	
Mortgage loans	\$68,000 00
Book value of bonds and stocks (Exhibit A)	410,145 15
Cash in office	77 60
Cash in bank	16,856 52
Agents' balances	7,428 67
<hr/>	
Ledger assets	\$502,507 34
 NON-LEDGER ASSETS	
Accrued interest on mortgages, bonds and bank deposits	2,948 15
<hr/>	
Gross assets	\$505,456 10
 <i>Deduct Assets Not Admitted</i>	
Book value of bonds and stocks over market value	3,470 15
<hr/>	
Total admitted assets	\$501,985 95
<hr/>	
LIABILITIES	
Unearned premiums:	
One year	\$7,132 07
Term	2,137 02
Accrued bills (estimated)	500 00
<hr/>	
Liabilities, except capital	\$9,769 09
Capital	\$200,000 00
Surplus	292,216 86
<hr/>	
Surplus to policyholders	492,216 86
<hr/>	
Total liabilities	\$501,985 95
<hr/>	

This statement differs from that filed by the corporation in the following particulars: Book value of bonds and stocks over market value, \$3,470.15, representing a decrease in assets and

unearned premiums increased in the sum of \$3,691.55, making a total decrease in surplus of \$7,161.70.

Assets

The investments owned by the corporation comprise mortgage loans amounting to \$68,000 and bonds and stocks with a market value of \$186,650 and \$220,025 respectively. A schedule of the bonds and stocks owned is attached to this report as Exhibit "A." From this schedule it will be seen that the New York city securities of a market value of \$135,350 combined with the mortgage loans amounting to \$68,000 representing a total of \$203,350 comprises the capital investment required by section 16 of the Insurance Law.

The mortgage loans, nine in number, were purchased from the Lawyers' Mortgage Company and are accompanied with policies of title insurance from the Lawyers' Title Insurance and Trust Company and policies of mortgage guarantee from the Lawyers' Mortgage Company.

The assignments of these mortgages from the Lawyers' Mortgage Company to the Merchants' Fire Assurance Corporation are not recorded.

Liabilities

In rendering its quarterly statement to the department the corporation has computed the unearned premiums on a 50 per cent basis. In view of the fact that the company commenced business on March 1, 1910, the assumption of a credit of 50 per cent on the premiums in force is incorrect, and I have, therefore, charged the company with the actual pro rata unearned premiums, increasing the liability on this account in the sum of \$3,691.55.

Salaries of Officers

Edward L. Ballard, president, \$7,500 per annum; Wilbur S. Lemmon, secretary, \$4,500.

Respectfully submitted,

RICHARD A. ELMER,

Examiner

STATE OF NEW YORK }
 COUNTY OF NEW YORK } ss.:

Richard A. Elmer, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

RICHARD A. ELMER

Subscribed and sworn to before me
 this 16th day of May, 1910.

[L. S.] KATE F. CAHILL,
Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 11, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with the terms of your appointment, No. 2366, hereto annexed, I would respectfully report that I have made an examination into the condition and affairs of the Metropolitan Live Stock Insurance Company of Syracuse, N. Y., a corporation for the insurance of domestic animals, operating under the provisions of article VIII of the Insurance Law.

I made my examination as of the close of business on the 6th day of May, 1910. I find that at that date the assets and liabilities were as follows:

Assets

Cash in office	\$28 90
Cash in bank	322 12
Total	<u>\$351 02</u>

Liabilities

Policy claims:	
Baritean, less balance of premium.....	\$116 30
Anderson, compromised at.....	55 00
Schantz	100 00
Neal, in Municipal Court.....	100 00
Total policy claims.....	<u>\$371 30</u>

Estimated bill of counsel.....	\$20 00
Accrued salaries, five days.....	39 58
Telephone bill	12 70
<hr/>	
Total liabilities	\$443 58
Excess of liabilities over assets.....	92 56
<hr/> <hr/>	

I checked up the income and disbursements from the date of the quarterly statement submitted March 31, 1910, and find the following to be the transactions recorded:

Income

Assessments	\$1,771 14
Sale of horse	50 00
Miscellaneous	107 53
<hr/>	
Total income	\$1,928 67
Ledger balance March 31, 1910.....	177 88
<hr/>	
Carried forward	\$2,106 55
<hr/>	

Disbursements

Policy claims	\$407 69
Commissions	713 63
Salaries	242 50
Traveling expenses	139 88
Advertising and printing.....	60 28
Postage, telegraph and telephone.....	64 80
Collections and discounts.....	1 62
Return premiums	38 00
Rent	53 00
Veterinary services	24 13
Furniture and fixtures.....	10 00
<hr/>	
Total disbursements	\$1,755 53
<hr/>	
Balance	\$351 02
<hr/> <hr/>	

The present officers of the company are: president, B. E. Wood; secretary and treasurer, Jacob Hecker; other directors, A. L. Wood, M. O. Dutton, M. Lowe.

The only one of these under salary is B. E. Wood who receives \$25 a week.

There is no meeting of the board of directors as shown by the minute book since October 5, 1909.

Although no unearned premium fund is chargeable according to custom against corporations doing business under article VIII, it has seemed to me wise to calculate the same as an evidence of the instability of the company. I find on the books the record of single annual premiums paid, the unearned portion of which is by my calculation \$4,410.44, from which it will appear that the company is spending its money faster than it can get it and has nothing wherewith to meet losses that may fall due on policies which have been paid for on the annual plan.

I submit herewith the affidavit of Burton E. Wood, the president.

I find that the company was insolvent at the close of business on the 7th day of May, 1910, and that the further conduct of its business is hazardous to its policyholders, to its creditors and to the public.

I was assisted in my examination by John J. Cunningham, assistant examiner.

Respectfully submitted,

GEORGE E. TALMAGE

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge, information and belief.

GEORGE E. TALMAGE.

Subscribed and sworn to before me

this 12th day of May, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County

EXHIBITS

STATE OF NEW YORK }
COUNTY OF ONONDAGA } ss:
CITY OF SYRACUSE }

Burton E. Wood, being duly sworn, deposes and says that he is the president of the Metropolitan Live Stock Insurance Company

of Syracuse, N. Y. That he has shown the examiners of the Insurance Department his cash book and other account books. That he knows of no outstanding bills other than one for telephone and one for legal services, the two amounting to \$32.70; and that he has shown the examiners the loss papers in the case Baritean, Anderson, Shantz, Neal, and Bates and that he knows of no other policy claims or obligations of the Metropolitan Live Stock Insurance Company whatsoever.

BURTON E. WOOD

Subscribed and sworn to before me,
this 7th day of May, 1910.

[L. s.] JACOB R. BUECHELER,
Notary Public.

STATE OF NEW YORK }
COUNTY OF ONONDAGA } ss:
CITY OF SYRACUSE }

Burton E. Wood, being duly sworn, states that he is the President of the Metropolitan Live Stock Insurance Company, of Syracuse, N. Y., and is familiar with the financial condition of said company.

Deponent further states that he has read carefully the report of Mr. George E. Talmage, Examiner, of the conditions and affairs of said company, as of the close of business on May 5, 1910, and which report is dated May 11, 1910.

Deponent further states that since said date, and as of the date of June 1, 1910, the assets of said company have changed from the condition stated in said report so that there was a total amount in cash in the First National Bank, of Syracuse, N. Y., of \$769.19.

That since the date of said report and as of June 1, 1910, the liabilities of said company as stated in said report have so changed that the same consisted, as of June 1, 1910, of the following items only, viz.:

Accrued salaries, two days.....	\$10 32
Outstanding check in payment of Shantz claim.....	100 00
Telephone bill	12 70
Total liabilities	<u>\$123 02</u>
Excess of assets over liabilities as of June 1, 1910...	<u><u>\$646 17</u></u>

Deponent further states that the claims for losses in the Baritean, Anderson, Shantz, Neal and Bates matters have all been

fully settled, paid and cancelled and deponent knows of no other policy claims or obligations of said company outstanding as of said date.

Deponent further states that, as of June 1, 1910, there were outstanding and in force bona fide policies of insurance with said company numbering 465.

Deponent further states that from June 9, 1909, to June 1, 1910, there were received in premiums by this company for insurance a total of \$13,977.08, and that for the same period there were losses sustained by said company on account of its policies, a total of \$3,282.69, or a little less than 24 per cent. of loss as compared with the premium income.

Deponent further states that, in connection with the examination made under the supervision of the Insurance Department made in about the month of September, 1909, said Department, at that time, made recommendations to said company only in the way of certain suggested changes in the form of the company's literature and that, immediately following the same, the said company did accordingly correct and amend its literature to meet said recommendations, forwarded copies thereof to the said Department and, from letters received from the said Department at the time, apparently met the approval of the Department.

Deponent further states that, in connection with the proposition contained in the report of Mr. Talmage, as Examiner, that a certain portion of the annual premiums should be set aside as a liability and to meet losses as they become due, officers of the said company are willing, first taking the advice of the Department thereon, to hereafter set aside a certain percentage of all of the premiums received on all policies as a permanent fund with which to meet losses. Deponent further states that to his knowledge, this is the first time that a requirement of this kind has ever been suggested to the said company. Deponent, therefore, believes it to be unfair to have any such amount as is mentioned in said report charged against the company as a liability in that report. And, in this connection, the attention of the Department is respectfully called to the fact that up to this time the provisions of the Insurance Law regulating this class of companies contained no provision requiring this class of companies should be charged with any such liability.

B. E. WOOD

Subscribed and sworn to before me,
this 10th day of June, 1910.

JOHN H. BURKE,
Commissioner of Deeds, Syracuse, N. Y.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

New York, May 16, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with the terms of your appointment No. 2361, hereto annexed, I would respectfully report that I have made an examination into the condition and affairs of the Order of Saturn of Binghamton, New York, a fraternal order doing business under the provisions of article VII of the Insurance Law, and I have brought my examination down to the close of business on the 31st day of March, 1910. I find that on that day the financial condition of the order was as follows, as shown by the records in the Buffalo office:

LEDGER ASSETS

Cash in bank (interest not posted).....	\$3,244 61	
Cash in office.....	489 68	
	<hr/>	
Total ledger assets.....		\$3,734 29

LIABILITIES

Claims in suit, Cobley.....	\$1,000 00	
Claims settled since March 31st:		
Schwartz	191 87	
Schmidt	205 58	
Liability for Binghamton office as shown below.	285 08	
	<hr/>	
Total liabilities		1,682 53
		<hr/>
Excess of assets over liabilities.....		\$2,051 76
		<hr/> <hr/>

The income and disbursements since the previous examination are as follows:

Balance ledger assets September 15, 1909 (the date of the last examination)	\$2,805 83
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INCOME

Assessments and fees:

Mortuary fund	\$636 30
General fund	652 20
Sick and accident fund	168 65

Total income from members	\$1,457 24
Interest	22 27

Total income \$1,479 51

Total \$4,285 34

DISBURSEMENTS

Sick and accident benefits \$182 50

Total paid to members	\$182 50
Salaries	217 50
Commissions	97 81
Office supplies, postage, expressage, etc.....	31 00
Rent	20 00
Correction of error	2 24
(Total expense of management, \$368.55.)	

Total disbursements 551 05

Ledger assets March 31, 1910..... \$3,734 29

This statement, however, is not complete without a further record of the transactions of the Binghamton office, the condition of which as shown by the records on March 31st, was as follows:

LEDGER ASSETS

Cash in bank	\$3 10
Money order in office	7 39
<i>Non-admitted assets:</i>	
Agent's balance	9 79
Unaccounted for	9 21

Total ledger assets \$29.49

Less non admitted assets 19 00

Total admitted Binghamton assets \$10 49

LIABILITIES

Medical examinations (Dr. Bretz)	\$20 77
Rider claim in hands of lawyer	274 80

Total admitted Binghamton liabilities \$295 57

Excess of liabilities over assets in Binghamton office (carried as liabilities of the order for Binghamton office)	\$285 08
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The records at Binghamton show the following income and disbursements:

INCOME	
Assessments	\$417 33
DISBURSEMENTS	
Commission to agent, Brooklyn circle, 75 per cent.	\$292 79
Traveling expenses, E. K. Hanley.....	13 32
Medical approvals, Dr. A. G. Bretz.....	81 73
Total disbursements	387 84
Balance	\$29 49

Recent History of the Order

This order was examined in Buffalo by John E. Diefendorf, as of September 15, 1909. On September 16, 1909, as a result of previous correspondence and the payment of \$455 to Robert Bruce by Benjamin Baker, A. J. Pugh and E. K. Hanley of Binghamton, he resigned as sovereign treasurer; Benjamin Baker was elected sovereign treasurer, Amelia J. Pugh, sovereign secretary, and E. K. Hanley, sovereign trustee. At the same meeting the home office was moved by resolution from Buffalo to Binghamton, the purpose of the change of the principal office being set forth at the meeting by sovereign solicitor Lafay C. Wilkie and so entered in the minutes of the meeting. The proviso was made that all the former business was to be done at Buffalo, the original home office becoming a branch office, and that the money in connection with that business should be deposited in the Buffalo banks, and that the account in the Buffalo banks should be subject to the three signatures of the president, secretary and treasurer, but that all new business secured through Baker, Pugh or Hanley was to be handled from the Binghamton office.

It appears that said Baker, Pugh and Hanley had been in correspondence with several fraternal orders and co-operative associations for the purpose of securing a participation in, and the possible control of, their business. The conference begun in

August with the former officers of the Western New York Relief Association (then under injunction of the Supreme Court), for the purpose of financing the same and putting it upon its feet, fell through early in September, resulting only in the possibility of using some of the agents of the Western New York Relief Association to secure their former business for a new enterprise. Immediately after the moving of the home office to Binghamton, arrangements were made with Messrs. Sharkey, de Vellir and Silverstein of the Western New York Relief Association, and the first report from them in the records of the home office is for the month of November, the agreement being made with them that they should retain 75 per cent. of their collections, remitting 25 per cent. to the home office.

It appears, however, from numerous complaints made to the Insurance Department that these agents collected various sums for the months of August, September and October, giving receipts therefor in the name or on the blanks of the Order of Saturn, but making no report thereof and giving no accounting therefor to the Order of Saturn.

The officers of the Order of Saturn were notified of this on November 5, 1909, and subsequent correspondence was had with them on the part of the Insurance Department but apparently with no results other than the issuing of this warning addressed to Messrs. de Vellir and Silverstein:

“ BINGHAMTON, N. Y., November 17, 1909.

“ Messrs. DE VELLIR and SILVERSTEIN, Room 502, World Building, New York City.

“ GENTLEMEN: To-day brings us a letter from Mr. Fowler, a copy of which we enclose for your information and guidance. We have answered it also and inclosed please find a copy of our answer. We send these to you so that you may know the effect of the criticism by the department to the end that if there is any ground for the same, you may protect both yourselves and us from any cause for future complaint and to turn over to Mr. Fowler any moneys belonging to the Western New York Relief Association which you have collected if such might be the case.”

Subsequent communications with the department show that officers of the Order of Saturn thought to absolve themselves from

all responsibility for these irregularities but that they continued to use the same agency force. In the month of December the sovereign commander at Buffalo on receiving numerous complaints discovered the nature of the business done and wrote such a letter December 27th as to bring about the ending of the Brooklyn and the New York business.

December 29th E. K. Hanley replied to Mr. William F. Kasting as follows:

"On receipt of your letter we immediately instructed (over long distance telephone) our Brooklyn organizers to discontinue and await further orders."

In the *meantime*, however, the said Baker, Pugh and Hanley had *already* entered into correspondence with Messrs. Wells, Earle and Ritchie of Schenectady, the remaining members and officers of the National Benevolent Legion, and on December 18th Edwin K. Hanley was elected supreme president of the National Benevolent Legion with the authority to designate two other officers to act with him.

Mr. Hanley as such president, made a verbal contract with Silverstein by which he was to take applications and make collections for the National Benevolent Legion and was to receive therefor a commission of 100 per cent. for six months, and 75 per cent. for the remaining six months; but after June 1, 1910, the rate to be 75 per cent. for twelve months.

The following table indicates strikingly the effect of this new agency agreement, it being remembered that the directors who made the agreement and the agent who acted under it were parties to the Order of Saturn agreement not yet abrogated:

	BROOKLYN REPORTS		Gross reports
	O. of S.	N. R. L.	
November	\$155 89	.....	\$155 89
December	117 63	\$42 23	159 86
January	79 86	57 84	137 70
February	31 17	156 80	187 97
March	8 90	188 79	197 69

It will be seen from this table (as was apparent from a comparison of the names on the two lists) that the one business was

rapidly merged into the other but that the 100 per cent. commission proved to be more stimulating.

On March 18th the following letter was sent out from Buffalo addressed to the Brooklyn members:

"BUFFALO, N. Y., *March 18, 1910.*

"DEAR SIR.—You are holding a policy in the Order of Saturn given you when you were taken up as a member. From your application we note it was not in strict accord with our constitution and by-laws, and I inclose you an application which kindly fill out and take to some doctor who is a registered practitioner in good standing and have him examine you, and if he passes upon same, the application must be sent back to our office here with at least one assessment, and same will be looked over by the sovereign medical director of the Order of Saturn, and if he O. K.'s the same, you will then become a regular member of the Order and insured. If he does not pass you, we will return you the money.

"You are to pay for your own examination and unless you comply with this request, we shall be obliged to drop you as a member of the Order of Saturn. Kindly do not delay this, but attend to it at once. Do you belong to a circle, and does the circle hold meetings? And who is your secretary?

"The office of the Sovereign Circle of the Order of Saturn is at the above address.

"Yours truly,

"W. F. KASTING,

"Sov. Commander, Order of Saturn."

This letter was evidently the result of action taken at a meeting in Buffalo February 26, 1910, when, under the advice of the sovereign solicitor, Lafay C. Wilkie, the moving of the home office from Buffalo to Binghamton was declared to be "illegal and without force or effect."

Official Publication

"General Information," the official organ of the Provident Home, the insurance society operating in Pennsylvania into which the prospective members of the Reliance Casualty League were turned when their application for organization in New York State was refused, was made the official organ of the Order of Saturn at the meeting of September 16, 1909, with the under-

standing that E. K. Hanley was to receive \$30 per month for the same when such funds should be available, and that a copy of the same was to be mailed to all members of the Order of Saturn. This action was canceled by resolution February 26, 1910.

In the April issue of "General Information," the assessment notice of the National Benevolent Legion takes the place of the assessment notice of the Order of Saturn, and "General Information" assumes to become the official organ of the National Benevolent Legion, although not definitely designated by name in the minutes of such order.

Officers

The officers are:

Sovereign Commander.....	Wm. F. Kasting.....	Buffalo.
Sovereign Vice-Commander.....	Fred P. Kull.....	Buffalo.
Sovereign Organizer.....	Fred J. Henry.....	Buffalo.
Sovereign Secretary.....	A. J. Pugh.....	Binghamton.
Sovereign Treasurer.....	Benjamin Baker	Binghamton.
Sovereign Trustee.....	Emil C. Brucker.....	Buffalo.
Sovereign Trustee.....	John Sharp	Buffalo.
Sovereign Trustee.....	E. K. Hanley.....	Binghamton.
Sovereign Solicitor.....	Lafay C. Wilkie.....	Buffalo.
Sovereign Medical Director.....	F. E. Hill, M. D.....	Buffalo.

None of these officers were under salary at the time of the examination.

The above statements are substantiated by papers on file and the sworn testimony of Messrs. Baker and Hanley.

Annual Report

No annual report for 1909 was made at the proper time from either of these two offices, Binghamton or Buffalo, each claiming that it had inadequate information; but a report has been finally made from the Buffalo office under date of May 2, 1910, and the annual statement contained therein has been verified by your examiner as above.

I was assisted in the checking of the annual statement at Buffalo by John J. Cunningham, assistant examiner of the department.

Respectfully submitted,

GEORGE E. TALMAGE

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 17th day of May, 1910.

[L. s.] KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *May* 18, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—In accordance with the provisions of appointment No. 2362, hereto annexed, I would respectfully report that I have made an examination into the condition and affairs of the National Benevolent Legion of Binghamton, New York, a fraternal order operating under the provisions of article VII of the insurance law, as of March 31, 1910, at which date the financial condition was as follows:

Assets on deposit in City National Bank of Binghamton.....	\$23 50
Liabilities	nil

The report filed by the order as of December 31, 1909, and the subsequent report filed as of March 31, 1910, both contain nominal income and disbursements, but inasmuch as none of the income actually came to the office and all of the disbursements were made by individual payment of the officers, I do not see why they should be carried in a table of income and disbursements of the order.

As shown by the previous report of John E. Diefendorf, dated

April 3, 1909, the order has been for quite a while dormant, possessing assets of \$23.50 (or \$23.30), and having numerous liabilities in the form of loans and notes at bank. It appears that in December, 1909, the remaining officers and members of the order, four in number, executed an instrument now on file in the department, freeing the order from all liability for these loans and notes. It appears further, that some time in December, 1909, the order having been given a certain length of time in which to possess itself of two hundred members and E. K. Hanley of Binghamton, N. Y., having agreed to furnish same, the said E. K. Hanley visited Schenectady, the home office, and was elected supreme president with the privilege of selecting two other officers who should act with him. At that time Irving K. Wells was supreme secretary and William H. Earle, supreme treasurer. Mr. Hanley, the supreme president, thereupon entered into *verbal* arrangements with one Silverstein of Brooklyn, who was at the time acting under him as an agent for the Order of Saturn, the said Hanley being a sovereign trustee in that order and manager of its home office at Binghamton.

He offered Silverstein a contract that would yield him a commission of 100 per cent. for six months on all business written by him for the National Benevolent Legion, and 75 per cent. thereafter for the remaining six months of first year's business. In a very short time the number of members of the Order of Saturn reporting to Binghamton had lapsed and by February 19, 1910, two hundred members had been secured for the National Benevolent Legion, the names on the two lists being almost identical.

At the meeting of the Supreme Lodge, February 19, 1910, the home office was changed from Schenectady to Binghamton, and on the 23d of February, 1910, Earle having resigned as supreme treasurer was elected supreme trustee, and Benjamin Baker was elected supreme treasurer in his place; Wells having resigned as supreme secretary, was elected supreme trustee, and A. J. Pugh was elected supreme secretary in his place; Ritchie resigned as supreme vice-president and was elected supreme trustee. The term of the supreme trustees was made ten years, and Mamie H. Hanley, William Diehl and M. S. Galpin of Binghamton, were elected life members that they might be eligible to the board of

control, which now consists of the three officers in Binghamton, the three trustees in Schenectady and the three life members in Binghamton. The minutes show various ineffective attempts to obtain a quorum during March and part of April. On April 6th, a meeting was held when an amended constitution and by-laws were proposed and referred for action to a meeting to be called May 11th. Arrangement was also made for the adoption of an official organ although the name of the organ was not designated at the meeting. "General Information, A Journal for Advertisers," Mr. Hanley's own publication, has evidently become the official organ, and the April issue contains the assessment notice of the National Benevolent Legion, which reads as follows:

"NOTICE.—All members of the National Benevolent Legion are hereby notified that your monthly assessment is due and must be paid on or before the first day of next month to the collector of your Lodge, and if you are a member-at-large, then the payment should be made at the Principal Office in Binghamton, N. Y. Article X, of the By-Laws and Constitution designate the portion of this assessment which may be used for the General Fund and the same will be so used; the balance of your monthly assessment so paid for next month will be used entirely for the benefit of the Mortuary Fund. Failure to make your payments and the penalty therefor, is provided for in Article VIII, Section 4, 5, 6 and 7, of the By-Laws and Constitution to which your attention is directed. *General Information*, in which this notice appears, is now the Official Organ of this order, and will be mailed regularly each month to every member, without said member being put to any expense therefor.

"THIS NOTICE IS FOR ASSESSMENT DUE THE FIRST DAY OF MAY."

All salaries have been made conditional upon the possession of available funds, with the understanding that prior to such time they shall not become indebtednesses of the order.

All of the new members secured in Brooklyn, New York and Binghamton have made their application to become members of Schenectady Lodge, there being at the present time no such lodge, and they have been accepted as members of the National Benevolent Legion without being elected members of any lodge, passing through any initiation, or paying any initiation fee, although

these three requirements appear in the constitution and by-laws. Inasmuch as 100 per cent. of the original assessments remains in the hands of the collectors, and there is no possible way by which any assessment can be raised to cover losses, it appears to your examiner that the policyholders are in no wise protected, but are simply dependent upon the donations and goodwill of the officers, should any policy claims arise during the first six months.

It appears further that the assessment notice as published in General Information does not comply with the provisions of section 238 of the insurance law in that it does not state definitely what portion or amount thereof shall be used for the payment of other than beneficiary claims and, further, the said notice is deceptive in that it gives the members to understand that some portion at least of their monthly payments will be used for the benefit of the mortuary fund, whereas no portion thereof can be so used until after June 1st.

It further appears to your examiner that the National Benevolent Legion, as at present operated, is in no wise to be considered a fraternal order, having no subordinate lodges and no fraternal organization, it being evidently run solely in the interests of the officers and collectors and not at all in the interests of the members or certificate holders. It is evident that there has been very little attempt to follow the letter or the spirit of the constitution and by-laws.

The present management of the National Benevolent Legion is identical with the organizers of the Reliance Casualty League, and the Binghamton end of the Order of Saturn. These people have corresponded with several other struggling fraternal or co-operative associations, apparently for the purpose of securing control thereof and ultimately to receive salaries therefrom. It is unfortunate that the innocent certificate holders can be changed from order to order as have been so many of the original Western New York Relief Association members, who are now in their fourth insurance organization within the space of one year.

The amount reported as received from the policy holders during the four months preceding March 31, 1910, is as follows:

December, 1909	\$42 23
January, 1910	57 84

February	\$156 80
March	188 79
<hr/>	
Making a total of	<u>\$445 66</u>

received from these members, all of which has remained in the hands of the collectors and agents. The balance of the expenses for this period, amounting to \$61.80, has been met by donations and has been paid directly by the officers out of their own pockets.

The above information was obtained by me from the records at Albany; at the Binghamton office of the company; from testimony given by B. Baker and E. K. Hanley under oath, and from an interview with H. K. Wells in Schenectady.

Respectfully submitted,

G. E. TALMAGE

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEO. E. TALMAGE

Subscribed and sworn to before me
this 18th day of May, 1910.

[L. S.]

KATE F. CAHILL

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 23, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under appointment No. 2316, dated January 6, 1910, and annexed hereto, I have made an examination of the

condition and affairs of the Seventh Regiment Veteran and Active League.

The league was organized November 12, 1884, and in July, 1885, was authorized to transact the business of life insurance upon the co-operative or assessment plan under the title "Seventh Regiment Veteran League." The name of the organization was legally changed to its present form in 1907, although its present title has been used since 1892.

Membership

The membership is limited to veterans of the Seventh Regiment, N. G. N. Y., members of the Seventh Regiment or those who may have honorably withdrawn therefrom.

Members are divided into three classes, according to age at entrance, rates of assessment for each class being as follows:

Class I, from 21 to 29 years inclusive	\$1 00
Class II, " 30 " 38 " "	1 25
Class III, " 39 " 45 " "	1 50

The executive committee is empowered to levy an assessment on each member after paying a death loss. The amount payable at death is \$500. In addition to the above assessments, each member is required to pay \$1 semi-annually as dues. On May 10, 1910, the date of this examination, the league had a membership of 464, and the maximum amount collectible under the last assessment (April 2, 1910) was \$519.75.

The league issues a certificate to its members, a copy of which is filed with this report.

Executive Committee

The executive committee is the governing body of the league and is comprised of the president, two vice-presidents, the secretary and the treasurer (ex-officio) and twenty other members, all of whom are elected annually. According to the minutes of the annual meeting of the league held on November 15, 1909, the following were elected for the ensuing year as officers and members of the committee:

President	Robert McLean, .
1st Vice-President	F. W. Drake,
2d Vice-President	Robert S. Ferguson,
Secretary	Wilbur F. Brown,
Treasurer	John D. Hoffmire,

E. J. Murray,	R. D. Andrews,	John C. De Mille,
James E. Ware,	Byron W. Greene,	F. M. Pederson,
H. B. Thompson,	B. S. Williams,	Gerald Stratton,
F. H. Hines,	Thos. M. Stewart,	Wm. M. Morgan,
A. E. Rauch,	S. B. Bostwick, Jr.,	Samuel D. Folsom,
W. A. Valentine,	A. H. Tiemeyer,	A. S. Murray,
E. H. Gouge,	H. P. Nichols,	F. Nicoll.

The executive committee as elected consists of a membership greater than provided for in the league's by-laws. This was brought about by the league endeavoring to have in the committee one veteran representative and one active representative from each company of the regiment. The regiment was formerly composed of ten companies, but this number has been recently increased.

The finance committee appointed by the president consists of Charles E. Lydecker, Thomas H. Dimond and Francis G. Landon.

The secretary is the only salaried officer, his compensation being at the rate of \$720 per annum, with an allowance of \$75 per annum for rent.

The executive committee meets once a month, makes rules for the transaction of business, passes upon applications for membership, audits claims, authorizes payments of death benefits and levies assessments. The committee acts as trustee of the league's funds and is charged with the duty of seeing that the several provisions of the by-laws are properly enforced.

The finance committee is supposed to make regular examinations of the books, accounts and vouchers of the secretary and treasurer, and report to the executive committee.

Annual Statement

An examination of the league's books shows that they differ from the statements rendered annually to the department.

Following is a statement showing income and disbursements for the year 1909, and assets and liabilities December 31, 1909, as shown by the books of the league.

The ledger assets as reported to the department on December

31, 1908, were \$21,592.92; as shown by the books the balance was \$21,837.58.

Ledger assets December 31, 1908, as per books of the league.. \$21,837 58

INCOME DURING YEAR 1909

Annual dues	\$941 21	
Assessments	4,369 05	
Advance payments (assessments and dues)	1,619 42	
Total paid by members.....	\$6,929 68	
Interest from mortgage	148 75	
Interest from bond	600 00	
Interest from deposits in banks.....	611 78	
Interest from deposits representing advance payments	39 60	
Exchange	4 70	
Income during the year.....	8,334 51	
Total	\$30,172 09	

DISBURSEMENTS DURING YEAR 1909

Death claims paid	\$9,500 00	
Total paid to members.....	\$9,500 00	
Salary and rent.....	662 50	
Exchange	12 30	
Printing, postage, etc.....	225 90	
(Total expense, \$900.70.)		
Loss on maturity of securities.....	46 92	
Disbursements during the year.....	10,447 62	
Balance	\$19,724 47	

LEDGER ASSETS

Loan on mortgage on real estate.....	\$5,000 00	
Cash in office.....	171 42	
Deposited in National Butchers' & Drovers' Bank	\$343 45	
Deposited in Universal Savings Bank	1,171 32	
Deposited in Union Trust Com- pany	553 83	
Deposited in N. Y. Life Insurance & Trust Company.....	12,484 45	
	14,553 05	
Total ledger assets.....	\$19,724 47	

NON-LEDGER ASSETS

Accrued interest on mortgage.....	\$37 50	
Accrued interest on bank deposit.....	21 38	
Furniture and fixtures.....	75 00	
Printed matter	10 00	
Assessments called, not more than thirty days overdue	630 49	
Total non-ledger assets		\$774 37
Gross assets		\$20,498 94
Deduct nonadmitted assets—furniture, fixtures and printed matter		85 00
Total admitted assets.....		\$20,413 94

LIABILITIES

Reserve (section No. 205).....	\$500 00	
Death claims unpaid.....	3,393 73	
Salaries and rent.....	132 50	
Advance payments	648 81	
Total liabilities		4,675 04
Surplus		\$15,738 80

The ledger assets December 31, 1909, as reported to the department were \$19,736.53 and the surplus was reported as \$15,750.86.

Financial Condition May 10, 1910

The income and disbursements from January 1, 1910, to May 10, 1910, and the condition of the league on May 10, 1910, were found to be as follows:

Ledger assets December 31, 1909, as per books of the league.. \$19,724 47

INCOME

(January 1, 1910, to May 10, 1910.)

Annual dues	\$387 96	
Assessments	2,339 54	
Advance payments (assessments and dues)....	156 48	
Total paid by members.....	\$2,883 98	
Interest from mortgage.....	112 50	
Interest from deposits in banks.....	16 78	
Exchange	2 20	
Total income		\$3,015 46
Total		\$22,739 93

DISBURSEMENTS

(January 1, 1910, to May 10, 1910.)

Death claims paid (total paid to members) . . .	\$2,893 73
Salary and rent	331 25
Printing, postage, etc.	58 92
Exchange	2 80

(Total expense, \$392.97.)

Total disbursements	<u>\$3,286 70</u>
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Balance	<u><u>\$19,453 23</u></u>
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LEDGER ASSETS, MAY 10, 1910

Loan on mortgage on real estate	\$5,000 00
Deposits in banks	14,374 10
Balance (in cash book) due from secretary . . .	79 13

Total ledger assets	<u>\$19,453 23</u>
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NON-LEDGER ASSETS

Due from secretary (errors in cash book) . . .	\$14 09
Accrued interest on deposits (estimated)	200 00
Accrued interest on mortgage	6 25

Total nonledger assets	<u>220 34</u>
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Gross assets	<u>\$19,673 57</u>
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Non-admitted Assets

Due from secretary, balance (in cash book) . . .	\$79 13
Due from secretary (errors in cash book)	14 09

	<u>93 22</u>
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Total admitted assets	<u>\$19,580 35</u>
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LIABILITIES

Reserve (section No. 205)	\$519 75
Death claims unpaid	2,000 00
Salaries and rent	132 50
Advance payments	587 29

Total liabilities	<u>3,239 54</u>
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Surplus	<u><u>\$16,340 81</u></u>
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Income

The income from members consists of dues payable semi-annually, and assessments due after being levied by the Executive Committee. About twenty-five per cent. of the members make

advance payments, and the secretary attempts to indicate the amount of such advance payments by means of a columnar cash book. After an assessment is levied, the secretary makes several hundred debit and credit entries in the cash book to indicate that the advance payments have been applied to the assessments levied. The amount of work required is enormous and when not accurately performed defeats its purpose, and leads to discrepancies in the cash balance. A careful checking back of the entries in the cash book and members' ledger since January 1, 1909, disclosed a number of debit and credit errors, the net result showing a discrimination of \$14.09 against the league. This amount has been included in the statement as a non-ledger asset, and considered as due from the secretary.

Non-ledger Assets

The item "due from secretary (errors in cash book) \$14.09" has already been referred to under "Income."

No credit has been given for uncollected assessments, the last assessment being levied April 2, 1910, and payable before May 2, 1910.

Non-admitted Assets

Following the custom of the department, the amounts due from secretary have been deducted as nonadmissible.

Liabilities

The reserve as required by section 205 of the Insurance Law is placed at \$519.75, that being the maximum amount collectible under one assessment. The items of advance payments have been taken from the members' ledger, and represent all the credit balances after the last assessment has been charged against the individual members.

Ledger Assets

The mortgage represents a loan on real estate situated in Brooklyn. The title is insured by the Title Guarantee and Trust Company of New York, and the principal and interest at $4\frac{1}{2}$ per cent. per annum is guaranteed by the Bond and Mortgage Company of New York.

The assets in possession of the treasurer as shown by his books amount to \$18,275.39 and assets in possession of the secretary, as shown by the secretary's books, should be \$1,121.46.

These assets are distributed as follows:

New York Life Insurance & Trust Company, treasurer's account	\$13,028 35	
Union Trust Company, treasurer's account....	247 04	
Bond and mortgage, treasurer's account.....	5,000 00	
		<hr/>
		\$18,275 39
National Butchers' and Drovers' Bank, secre- tary's account	\$156 18	
Universal Savings Bank (two books) secre- tary's account	886 15	
Due from secretary (balance shown by cash book).	79 13	
		<hr/>
		1,121 46
In addition to the above there is deposited in the Universal Savings Bank		56 38
		<hr/>
Comprising the total ledger assets.....		<u>\$19,453 23</u>

The \$56.38 deposited in the Universal Savings Bank is not shown in any of the league's books, although a similar item was reported in the annual statement. The item is interest on \$800, which \$800 the secretary keeps as a separate deposit representing advance payments. The advance payments reported December 31, 1909, or as found on May 10, 1910, are less than \$800.

Funds

The condition of the league funds as shown by the treasurer's books is as follows:

General fund	\$2 07
Special fund	45 89
Reserve fund	18,227 43
	<hr/>
	<u>\$18,275 39</u>

These figures do not take into consideration any of the moneys in the secretary's hands.

The general fund consists of receipts for dues, and is used for the payment of all expenses.

The special fund is used only for the purpose of paying the death benefits, the fund being maintained from the assessments.

The reserve fund was established for the purpose of paying death benefits whenever the number of assessments was extraor-

dinarily heavy. This fund was to be accumulated from the following sources; from all moneys in the general fund in excess of the sum of two thousand dollars, from the balance collected on death assessments over five hundred dollars and any pecuniary bequests, legacies, etc.

The Secretary

Article IV, section 2, of the league's by-laws reads as follows:

"The secretary shall * * * receive all moneys due the league, giving his receipt for same therefor, pay the amounts to the treasurer, taking his receipt for the same, * * . He shall make a full exhibit of moneys received from all sources and the amount paid to the treasurer during the same period."

In the past the secretary has made it a practice to retain in his possession a portion of the receipts, exceeding at all times \$1,000. As the secretary makes no disbursements, there seems to be no good reason why all the money belonging to the league should not be promptly turned over to the treasurer as provided by the by-laws. The treasurer's books are audited annually by the finance committee, but they seem to pay no attention to the accounts of the secretary, whose books have not been audited in many years. It is a strange fact that the league in its printed annual statements to the members reports the condition of the league as shown by the treasurer's books, absolutely ignoring the funds in the secretary's possession.

Dividends

At the twenty-first annual meeting of the Seventh Regiment Veteran and Active League held on November 19, 1906, the following resolution recommended by the executive committee was unanimously adopted:

"That there shall be declared a dividend from the reserve fund equal to $2\frac{1}{2}$ per cent. (and credited to the account of each member of the league) of the total sum paid by him from the date of his certificate to January 1, 1907. That the same shall be credited on the said first day of January, 1907, to the account of each member and be used in the settlement of future assessments for deaths to the extent of its value."

The credits were accordingly made on the individual members' accounts and the treasurer made entries transferring \$2,514.89 from the reserve fund to the special fund. Both funds are used

exclusively for death benefits. No cash was actually disbursed. The practical effect of this action was to relieve the members from paying one or more assessments according to the amount paid into the league.

Bonds

The by-laws provide that both the secretary and the treasurer should be bonded, but neither of these officers has been required to furnish bonds.

Recommendations

At the date of this examination, the secretary's cash book shows a balance of \$79.13 over and above the amounts admitted by the secretary to be due the league. It is necessary to ascertain whether this amount is really owing to the league or if the difference is the result of errors in the cash book.

Your examiner suggests that the officers of the league be directed to have the secretary's books properly audited within reasonable time, and when the audit is completed to notify the department in order that another examination may be made.

It is also recommended that the secretary's method of keeping the cash book be abandoned, that the secretary shall promptly pay to the treasurer all moneys collected by him, that the secretary's books be audited periodically, and that statements hereafter issued purporting to show the condition of the league should account for all the league's funds.

There have been filed with this report copies of the members' certificates, assessment notice and constitution and by-laws.

Respectfully submitted,

SAMUEL DEUTSCHBERGER,

Examiner.

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Samuel Deutschberger, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge, information and belief.

SAMUEL DEUTSCHBERGER.

Subscribed and sworn to before me

this 24th day of May, 1910.

[L. S.]

KATE F. CAHILL,

Notary Public, New York County.

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 24, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Sir.—Pursuant to instructions contained in appointment No. 2225, annexed hereto, we have made an examination of the condition and affairs of the Phenix Insurance Company of Brooklyn, N. Y., and respectfully submit the following report thereon.

This examination was made as of September 30, 1909, on which date the financial condition of the company was found to be as follows:

ASSETS		
Real estate (department appraisal).....		\$74,500 00
Mortgage loans on real estate.....		544,500 00
Collateral loan		30,000 00
Bonds and stocks		
	Par value	Market value
District of Columbia 3.65% 1924.	\$175,000	\$189,000 00
City of New York cons 3% 1923.	65,000	57,850 00
City of Richmond 4% 1926.....	21,000	21,210 00
City of Toronto Canada 3½% 1929.	55,959	50,363 10
City of Toronto Canada 3½% 1913.	50,000	48,500 00
City of Toronto Canada 3½% 1944.	24,333	22,143 03
State of Virginia 3% 1991.....	100,000	92,000 00
Ter of New Mexico 4% 1939....	10,000	10,300 00
Columbus & Hocking Coal & Iron Co 6% 1956.....	50,000	50,500 00
Denver Gas & Electric Co 5% 1949	25,000	24,000 00
Holden Paper Co 5% 1919.....	41,400	31,050 00
Hecker, Jones, Jewell Milling Co 6% 1916	50,000	52,000 00
Lebanon Gas & Fuel Co 5% 1956.	50,000	45,000 00
Lincoln Gas & Electric Light Co 5% 1941	175,000	140,000 00
Niagara Falls Power Co 6% 1910.	50,000	50,500 00
Standard Milling Co 5% 1930...	25,000	21,250 00
Buffalo & Susquehanna R R Co 2000 shrs pfd.....	100,000	69,000 00
Central R R Co of N J 3000 shrs.	300,000	945,000 00
Chicago & Northwestern Ry Co com 4750 shrs.....	475,000	912,000 00

Bonds and stocks	Par value	Market value
Chicago St Paul Minn & Omaha Ry pfd 500 shrs.....	\$50,000	\$87,500 00
Chicago St Paul Minn & Omaha Ry Co com 700 shrs.....	70,000	112,700 00
Delaware & Hudson Co 1500 shrs.	150,000	288,000 00
D L & W R R Co 5750 shrs.....	287,500	1,610,000 00
Erie & Pittsburgh R R Co 500 shrs.	25,000	38,250 00
Gt Northern Ry Co pfd 1500 shrs.	150,000	231,000 00
Northern Pacific Ry Co 1000 shrs.	100,000	156,000 00
D L & W Coal Co 1250 shrs.....	62,500	125,000 00
First National Bank New York 300 shrs	30,000	251,400 00
National Bank of Commerce New York 317 shares.....	31,700	63,717 00
National Park Bank New York 300 shrs	30,000	136,500 00
Brooklyn Bank Brooklyn New York 200 shrs.....	10,000	10,000 00
National City Bank Brooklyn 600 shrs	30,000	90,000 00
Trust Co of America New York 60 shrs	6,000	21,780 00
Bond & Mortgage Guarantee Co 200 shrs	20,000	54,800 00
Realty Associates 517 shrs.....	51,700	70,312 00
Northwestern Commercial Co 362 shrs	36,200	21,720 00
American Light & Traction Co com 172 shrs.....	17,200	44,720 00
American Light & Traction Co pfd 376 shrs.....	37,600	39,856 00
Central & S American Telegraph Co 1000 shrs.....	100,000	115,000 00
Consolidated Gas Co 1000 shrs...	100,000	147,000 00
N Y Mutual Gas Light Co 500 shrs	50,000	73,500 00
Underwriters Salvage Co 10 shrs.	1,000	1,250 00
Lehigh Valley R R Co 2500 shrs.	125,000	257,500 00
Lebanon Gas & Fuel Co 500 shrs.	50,000	208 75*
Havanna Tobacco Co 140 shrs....	14,000	959 70*
Standard Milling Co, 500 shrs...	50,000	9,608 75*

Total par and market values.	\$3,528,092	\$6,889,948 33	\$6,889,948 33
Cash in office			15,176 69
Cash in banks and trust companies.....			802,945 09
Agents' balances on business written within three months....			1,010,339 44

The securities indicated by star () were disposed of subsequent to date of examination for the amounts set forth as market values.

Interest accrued on mortgage loans	\$10,977 06
Interest accrued on collateral loan	375 00
Interest accrued on bonds	11,694 64
Interest accrued on bank deposits.....	4,284 38
Due for reinsurance on paid losses.....	28,952 91
Bills receivable taken for premiums (farm risks).....	248,796 10
Due from Fisk & Robinson.....	46,541 30
Estimated value of securities assigned to company by H. C. Stockdell	20,000 00
Estimated value of securities not listed above (Council Bluffs City Water Works bonds and Lincoln Gas and Electric Light Co. stock)	112,400 00
Aggregate assets	\$9,851,430 94

LIABILITIES

Unpaid fire losses.....	\$563,812 82
Unearned premiums:	
On one-year risks	\$1,917,759 26
On term risks	4,686,406 80
Total unearned premiums	6,604,166 06
Rent accrued	2,250 00
Sundry unpaid bills	958 39
Due for reinsurance	38,820 05
Due for return premiums.....	2,733 13
Taxes on premiums accrued (estimated).....	69,556 00
Taxes on real estate	1,332 34
Dividends declared to stockholders.....	75,000 00
Claim of Carnegie Trust Co. for repurchase of Council Bluffs City Water Works Co. and Lincoln Gas & Electric Light Co. securities, with interest and commission.....	504,049 60
Due Carter, Wilder & Co. account purchase of securities.....	67,551 74
Liabilities, except capital.....	\$7,930,230 13
Capital	\$1,500,000 00
Surplus	421,200 81
Surplus to policyholders.....	1,921,200 81
Total liabilities	\$9,851,430 94

ORGANIZATION AND HISTORY OF COMPANY

The Phenix Insurance Company, a stock fire and marine insurance corporation, was organized September 10, 1853, with a capital of \$200,000, divided into 4,000 shares of the par value

of \$50 each. The charter ran for thirty years, and in 1883 was extended for a like period of time. In March, 1864, the company increased its capital to \$500,000 by the issue of 6,000 additional shares of stock at the par value of \$50 each. In July, 1865, the capital was further increased to the sum of \$1,000,000 by the issue of 10,000 additional shares of stock at the par value of \$50 each. At a meeting of the board of directors held September 1, 1887, an assessment of 44 per cent. was levied on the capital stock, amounting to the sum of \$440,000, which assessment was called for the purpose of making good an impairment of capital in the sum of \$436,562.08, as shown by a report on examination of the company made by this Department under date of June 30, 1887. This assessment was paid in in November, 1887. On June 11, 1906, following the California conflagration, the board of directors voted to increase the capital to the sum of \$1,500,000 by the issuance of 10,000 additional shares of stock to be subscribed for at 300 per cent. or \$150 per share. The records show that such additional capital stock was issued and paid for on or before December 28, 1906.

The original charter of the company provided for the corporate powers to be vested in a board of directors to consist of thirty members. By special act of Legislature, being chapter 401 of the Laws of 1895, the company was authorized to reduce the number of directors specified in its charter to not less than nine. The following is a list of the officers of the company from beginning of business to date of December 9, 1909:

<i>Presidents:</i>	From	To
Stephen Crowell	February 25, 1853	April 9, 1888
George P. Sheldon.....	April 9, 1888	December 6, 1909

<i>Vice-Presidents:</i>		
Edgar W. Crowell.....	April 2, 1860	June 9, 1868
Chauncey Bedell	April 13, 1870	March 24, 1874
Daniel Fernald	April 14, 1874	April 13, 1875
Philander Shaw	April 13, 1875	April 9, 1883
W. R. Crowell.....	April 9, 1883	August 23, 1887
George P. Sheldon.....	January 13, 1888	April 9, 1888
Arthur B. Graves.....	April 9, 1888	April 9, 1894
Charles C. Little.....	April 9, 1894	April 24, 1897
George Ingraham	May 10, 1897	December 9, 1909

<i>Secretaries:</i>	From		To	
Philander Shaw	July	28, 1853	April	13, 1875
William R. Crowell.....	April	13, 1875	February	10, 1879
Philander Shaw	February	10, 1879	April	14, 1890
Charles C. Little.....	April	14, 1890	April	24, 1897
William A. Wright.....	May	10, 1897	March	1, 1904
Charles F. Koster.....	April	11, 1904	December	9, 1909

A list of directors and members of the executive, finance and account committees is annexed hereto, marked Exhibit "A."

The company transacts business in practically every State and Territory of the United States and in the Dominion of Canada, its net annual premium income amounting to more than \$6,000,000. Its field of operations is divided into the eastern department under the direct supervision of the president and other executive officers; the southern department under the supervision of General Agent H. C. Stockdell; and the western department under the supervision of General Agent J. H. Lenehan.

DEPARTMENT EXAMINATIONS

The Phenix Insurance Company was last examined by the Insurance Department of the State of New York as of date of June 30, 1887, under the then Superintendent of Insurance Robert A. Maxwell. Since said examination, as far as we have been able to ascertain, there has been no investigation of the affairs of the company by any State department except in 1897 by the Kansas Department, until the examination herein reported on, which was commenced on October 13, 1909. Soon after the Department had instituted the present investigation, evidences of numerous improper transactions involving the president and other officers of the company developed. Reports were submitted to you from time to time covering these improper transactions, on which you took immediate action resulting in the indictment of George P. Sheldon on the charge of grand larceny. That the Phenix Insurance Company and its board of directors was for years dominated by its president, Mr. Sheldon, will be clearly evidenced by the matter set forth further on in this report.

In submitting this report it is to be understood that the examination did not contemplate a complete audit of the company's receipts and disbursements for the full period of twenty-two years

elapsing since the date of last examination. Owing to the involved and numerous transactions, this was a work of such magnitude that the Department could not employ the time of its examiners necessary for such purpose. The company, however, has undertaken this work by the employment of expert accountants, who are at this writing still engaged in such audit.

FINANCIAL STATEMENT SEPTEMBER 30, 1909

The financial statement appearing in the foregoing part of this report shows a surplus to the company above its capital stock in the sum of \$421,200.81. Said statement is the result of a careful examination of each item of assets and liabilities, necessitating not only an investigation at the New York office, but also at the general agencies located in Chicago and Atlanta.

All real estate owned or covered by bond and mortgage has been appraised by Department appraisers, and the values entered in accordance with their reports on file in the Department. Department counsel has examined the titles to the realty so owned or mortgaged and submitted report thereon, which is now on file in the Department.

The collateral loan of \$30,000 was fully secured by the deposit of securities, and has been paid off since date of examination.

The securities owned by the company were examined and counted and the market valuations extended as per the quotations obtained from the expert engaged by the Department for the valuation of securities owned by insurance companies for annual statement purposes.

The cash in office and in bank was verified by proper examination of check-books, bank-books, etc., supplemented by certificates from the various depositories.

Agents' balances were verified by checking a large percentage of agents' monthly accounts to the agency ledgers at the three departments.

The item of "Bills receivable taken for premiums" represents the actual amount charged as an unearned premium liability on notes taken for premiums on farm business transacted in the western department. The company is in possession of notes of this character in excess of the amount credited, but inasmuch as

the statute provides for the allowance of no uncollected premium credit except for "unpaid premiums on policies written within three months," it was considered advisable for the purpose of this report to permit the notes to stand as a credit only to the amount of the liability charge on same. While the law by inference does not provide for the full credit extended above, by reason of the fact that a certain proportion of same represents notes on policies written more than three months before date of examination, it was deemed justifiable in the absence of a legal provision suited to the needs of this class of business, to give the company credit for the notes in its possession to an amount equal to the unearned premium charge thereon.

The unlisted securities set forth above at \$112,400 represent \$278,000 6 per cent. Council Bluffs City Water Works Company bonds at an estimated value of \$83,400, and 1,450 shares Lincoln Gas and Electric Light Company stock at an estimated value of \$29,000.

The remaining asset items, viz., "Due from Fisk & Robinson \$46,541.30" and "Estimated value of securities assigned by H. C. Stockdell \$20,000," are referred to and explained further on in this report.

The liability for unpaid fire losses set forth above at \$563,-812.82 was ascertained by a particular examination of the loss register checked with the loss claim papers and correspondence.

The unearned premium liability (which includes the farm note liability) was arrived at by a thorough checking of the registers, subsidiary books and accounts, including agents' monthly accounts and daily reports, cancellations, reinsurance written and canceled. By reason of the fact that the company has for years returned this item improperly in its annual statements, and for the further reason that several large reinsurance contracts were to be considered in the computation, much time and care were necessary in examining the accounts at the three departments to ascertain the proper liability thereunder.

Taxes on premiums have been estimated on the net premiums written in proportion to the amount paid therefor in previous years.

The liability for dividends declared covers a declaration of

dividends to stockholders of record by action of the board of directors prior to September 30, 1909, which was paid subsequent to this examination.

The remaining liability items, viz., "Claim of Carnegie Trust Company, \$504,049.60" and "Due Carter, Wilder & Company, \$67,551.74," are particularly explained further on in this report.

SPECIAL DEPOSITS

Included in the list of securities owned as set forth in the foregoing financial statement, the company has on deposit with the general fiscal officers of the States, Territory and country named below, the following securities:

State, territory or country	Description	Par value	Market value
Georgia	District of Columbia fund 3.65% 1924.	\$10,000	\$10,800 00
Virginia	State of Virginia Century 3% 1991....	60,000	55,200 00
New Mexico	New Mexico Gen'l refund 4% 1939....	10,000	10,300 00
Canada	District of Columbia fund 3.65% 1924..	100,000	108,000 00
Canada	City of Toronto 3½% 1913.....	50,000	48,500 00
Canada	City of Toronto 3½% 1929.....	55,959	50,363 10
Canada	City of Toronto 3½% 1944.....	24,333	22,143 03

Satisfactory documentary evidence covering above mentioned deposits was furnished your examiners.

GEORGE P. SHELDON

Originally Mr. George P. Sheldon served the company in the capacity of counsel. Following an examination by the Department, Mr. Sheldon on January 13, 1888, was elected vice-president, and on April 9, 1888, was elected president, and remained as such until his removal from office by action of the board of directors on December 6, 1909. On October 23, 1909, he left the office for his home in Greenwich, Connecticut, where he died on December 25th following.

From 1898 on President Sheldon was in receipt of a salary of \$25,000 per annum. In addition to such salary he was voted by the executive committee on January 28, 1898, the sum of \$35,000 as extra compensation, which he received in various payments between the dates of January 31, 1898, and February 15, 1898.

For years he had drawn his salary in advance, and on his retirement had been paid same practically to October, 1910.

In the course of this investigation, the Department representatives examined under oath the officers of the company, and various other individuals having knowledge of its affairs. The testimony taken at such examinations clearly indicates that the Phenix Insurance Company was a one man concern, directed in its every policy by its president, and whose directors, other officers and general agents were under his complete domination. There can be no other reason advanced to explain the apparent disregard on the part of the directors to properly fill the trust imposed upon them, and the lack of moral courage and official duty which was displayed by the vice-president, the former secretaries and the present secretary, in failing to bring to the notice of the board and to the Insurance Department the many improper transactions which apparently had their inception in Mr. Sheldon, and which with their help and connivance were carried on and repeated for a number of years. In the years 1893 and 1894 the company first purchased through and from Mr. Sheldon securities of the Council Bluffs City Water Company, apparently the 5 per cent. bonds due 1943, and preferred stock. In 1898 it also purchased 6 per cent. bonds issued by the same company maturing in 1906. On maturity of this latter holding \$100,000 par value of same was substituted on the security ledger by \$110,000 par value of the 5 per cent. bonds. From 1893 on, at various dates, usually in June and December of each year, the securities in question except the \$100,000 6 per cent. bonds substituted by \$110,000 5 per cent. bonds, were entered on the books as sold, and in July and January were again entered as re-purchased. Though the books show purported purchases and sales of sundry lots of these securities, it would appear by reason of the repetition of the entries in the same months of each year that the transactions indicated thereby were not of a bona fide character, but that the entries were made for the purpose of deception in order that the company might submit annual statements in conformity with its records. The names of sundry brokerage houses and financial institutions appear on the books as purchasers of the securities, but it is quite unlikely that the sales indicated were ever actually con-

summated, or if so were made with the distinct understanding and agreement that the securities sold were to be returned to the company at the sale price. The company in its annual statements reported ownership of no securities of the Council Bluffs City Water Works Company, except \$100,000 6 per cent. bonds from 1898 to 1905, and \$110,000 5 per cent. bonds from 1906 to 1908. As a matter of fact the company has had in its possession continuously since 1898 total securities issued by this corporation representing an approximate original cost of \$557,000, composed of the following (par value): \$190,000 5 per cent. bonds due 1943, \$278,000 6 per cent. bonds due 1906, \$125,000 preferred stock. As qualifying this statement, it is to be noted that all of said securities except \$110,000 5 per cent. bonds were conditionally sold on January 14, 1909, to the Carnegie Trust Company, the sale being subject to an agreement to repurchase. Between 1893 and 1897 the company owned securities of this corporation in varying amounts, none of which it reported in its annual statements to the Department for the period covered by said years. For some reason, either because the said securities were not worth at date of purchase the price paid therefor, or because of a subsequent depreciation in the market value, the accounts were juggled and false entries made in the books to indicate sales of the securities in question, and purchase of other securities of known and undisputed value. These false entries were usually made at the end of the calendar year, and the company in submitting its annual statements to departments carried among its assets the substituted securities in place of those actually owned. By reason of the lapse of time and the removal by death of certain officers who might explain involved entries in the books, it is practically impossible to ascertain with any degree of accuracy the actual condition of the company as affected by the substitution of securities for all years during which such practices obtained. It is clearly evident, however, that the company has for at least fifteen years submitted to the Department false reports of its financial condition, which is referred to below under the heading of "Annual Statements."

Mr. Sheldon was treasurer of the Council Bluffs City Water Works Company when the first purchase was made in 1893, and

it would appear had a direct personal interest in the marketing of its securities. With a board of directors who exercised no practical supervision over the acts of the officers, it was an easy matter for Mr. Sheldon to use the Phenix Insurance Company for purposes best suited to the interest of the Council Bluffs City Water Works Company.

As further illustrating the complete power exercised by President Sheldon over the affairs of the company, it is only necessary to call your attention to several matters of a questionable, if not criminal, character described in full under particular headings, which as indicated by this examination and by the sworn testimony of various individuals could only be carried through successfully with the consent and under the direction of the president, unhampered in his actions by the board of directors.

During his incumbency as president, Mr. Sheldon diverted to his own use the funds of the company, procuring the same through many devious transactions, using the credit of the corporation for such purpose, and with the connivance of the several secretaries involving the books and accounts by misleading entries for the apparent purpose of withholding from the notice of the board of directors and the Insurance Department the true nature of the transactions and the amount of money so diverted. From 1891 to 1897, inclusive, he received a salary as president of \$18,000 per annum; from January 1, 1898, to date of his retirement, \$25,000 per annum. In addition to such remuneration, the executive committee voted him on January 28, 1898, an extra compensation of \$35,000, as before stated in this report. However, Mr. Sheldon evidently found his salary inadequate to meet his financial needs, and from time to time drew his salary in advance, the advances occurring as early as 1896 and continuing thereafter in varying amounts until his final retirement by action of the board of directors on December 6, 1909, on which date the aggregate amount of such advances was \$22,513.45.

Between the dates of January 15, 1906, and November 13, 1908, Mr. Sheldon as president drew drafts to his personal order on Carter, Wilder & Company, with whom the company had an account, in the aggregate sum of \$82,000. These drafts were charged against the account of the Phenix Insurance Company by the brokerage firm, and the proceeds credited to the personal

account of Mr. Sheldon in the Chatham National Bank. (See particular account of these transactions under caption "Transactions with Fisk & Robinson and Carter, Wilder & Company.")

On April 28, 1909, on request of Mr. Sheldon, Fisk & Robinson drew a check for \$10,000 to the order of Carter, Wilder & Company, charging same to the account of the Phenix Insurance Company, which check was deposited to the credit of Mr. Sheldon's personal account with the above named firm. (See particular account of this transaction under caption "Transactions with Fisk & Robinson and Carter, Wilder & Company.")

In the files of the company were found a number of checks and drafts aggregating the sum of \$44,425.47 drawn principally in 1896 to order of the Phenix Insurance Company by Mr. Sheldon, or to the order of George P. Sheldon by himself, or other parties, which checks and drafts as shown by the testimony of Secretary Koster, were either cashed by the Phenix Insurance Company for Mr. Sheldon or the company's check given him in exchange. The checks and drafts were either never presented for payment, or being presented were returned to the company unpaid. There were also found filed with the checks and drafts above mentioned two checks dated January 9, 1905, each in the sum of \$22,125, drawn to the order of the Phenix Insurance Company by Geo. P. Sheldon and by the Council Bluffs City Water Works Company, Geo. P. Sheldon, Treasurer, respectively, which were never presented to the bank for collection.

The said two checks aggregating the sum of \$44,250 represent, as shown by the testimony of Charles F. Koster, the amount of the checks and drafts first above mentioned, less deduction of \$175.47 covering apparent part payments. The uncollected checks and drafts prior to 1900 were carried as cash in office. In January, 1900, suspense account appears charged with \$44,250 in the cash book, and in the journal from which the ledger is posted the item is charged to agency account New York office. Thereafter until June, 1905, the books show semi-annual credit and debit entries of \$44,250 to the said accounts, the said entries effecting a concealment of the true nature of the disbursement. On June 30, 1905, the item was finally charged off to fire losses.

During the course of his tenure of office, President Sheldon made investments in securities issued by corporations, in certain

of which at least he had a direct personal interest, besides loaning the company's funds to individuals who failed to repay the same.

The company's investment in the securities of the Council Bluffs City Water Works Company, of which he was the treasurer, amounted to the sum of \$557,576.67. Assuming the said securities represent a value of \$83,400, the company sustained a loss through this purchase of \$474,176.67.

In 1893 and 1894, the company purchased bonds and stocks of the Sheldon Marble Company. On a reorganization of this company in 1895 as the Vermont Marble Company, the Phenix Insurance Company received bonds in exchange for the securities held in the amount of \$44,000. This holding was reduced by \$18,000 by reason of a subsequent part sale, the balance of \$26,000 being charged off to profit and loss on December 31, 1904. This action is unexplained in view of late information submitted indicating that the bonds of the Vermont Marble Company had a market value approximating 90 when charged off to profit and loss.

In loaning the company's funds to James F. Pierce, the company sustained a loss of \$15,000. Mr. Pierce was a former law partner of the president and subsequently became Superintendent of Insurance.

Further than the above, the company lost through investments and loans, which appear on the books charged to profit and loss account, and in one instance to fire losses, large sums at various times, of which the following are notable examples:

1896	National Bank of Illinois, stock.....	\$35,800 00
1897	R. H. Deming & Co.....	80,986 17
1896	Loan to D. R. Satterlee.....	5,000 00
1901	Hecker, Jones, Jewell Milling Co., stock.....	38,406 25
	T. D. Hooper & Co.....	14,642 50
1902	Lathrop & Smith (charged to fire losses).....	30,000 00
1908	Grove Mills Paper Co.....	4,723 07

What direct interest, if any, Mr. Sheldon had in the purchase or sale of the various securities or in the loans and investments eventually charged off cannot be conclusively demonstrated from the data or information which we have been able to secure in this examination. The above by no means constitutes a complete summary of all investment losses, nor are profitable investments com-

mented upon. No board of directors or an executive can be properly chargeable with mistakes of judgment where proper caution is exercised, and it is quite likely that the losses sustained on certain investments were wholly legitimate. However, other losses were incurred which were not of this character, notably, those occasioned by the purchase of Council Bluffs City Water Works Company and the Sheldon Marble Company securities, the Pierce and Satterlee loans, the Lathrop and Smith account charged to fire losses, and other investments charged off extending over a period of years, and concerning which it was deemed unnecessary to particularly examine. In such investments and loans the president either had a special interest aside from that of the company he represented, or was distinctly negligent in not exercising proper care to the end that the assets so invested might be secure.

In the amounts above set forth, it is to be noted and understood that the unpaid dividends and interest charges have not been included. An addition of such charges would of necessity greatly increase the same, but for the purposes of this report a computation of the actual amount of such charges was deemed unnecessary.

RELATIONS EXISTING BETWEEN WILLIAM H. BUCKLEY AND GEORGE P. SHELDON

Reference is made in this report to loans made by the Phenix Insurance Company to William H. Buckley. These loans, however, did not by any means comprise all the business transacted by Mr. Buckley with the Phenix Insurance Company and with George P. Sheldon. In 1904, Mr. Buckley received from the company \$4,000, and in 1905, \$5,000, for "legal services and disbursements." Whatever additional sums may have been paid to him in other years do not appear of record in the company's books. Mr. Sheldon, however, was the active agent of the fire insurance interests in the collection of funds used for the purpose of influencing legislation at Albany, and in the distribution of such funds made use of the services of Mr. Buckley. In the personal files of Mr. Sheldon and in the files of the company, most illuminating evidence of the connection in the form of letters, vouchers and canceled checks was found, clearly signifying that in furthering and suppressing legislation, in reporting progress of

bills introduced or in committees, in indicating the attitude of certain legislators, and in pointing out the advantageous use of money in various directions, this man's services were in almost constant use by Mr. Sheldon during the legislative sessions. By reason of Mr. Buckley's former connection with the State Insurance Department, Mr. Sheldon also found him a desirable source of information concerning its business and affairs. It is unnecessary to set forth here in detail a record of the manifold activities of Mr. Buckley through his employment by Mr. Sheldon, for the sufficient reason that exhaustive information in connection therewith is already a matter of record in the Department, and has been publicly submitted in the course of your recent investigation into the legislative expenses of insurance companies.

TRANSACTIONS OF THE COMPANY IN THE SECURITIES OF THE
COUNCIL BLUFFS CITY WATER WORKS COMPANY AND THE
LINCOLN GAS AND ELECTRIC LIGHT COMPANY

In this report, under the captions "California Conflagration" and "Annual Statements," reference is made to the company's transactions in the securities of the Council Bluffs City Water Works Company. That President Sheldon's interest in and connection with this corporation had much to do with the trouble which for years confronted the man and which culminated in his final downfall presents itself with forceful argument to one who has examined the accounts and records of the Phenix Insurance Company, involved as such accounts are with innumerable entries and cross-entries, both of a *bona fide* and of a deceptive character. The Council Bluffs City Water Works Company is a private corporation supplying water to the city of Council Bluffs, Iowa. Its 6 per cent. bonds due October 1, 1906, are now in default as to principal and interest and the company is in the hands of a receiver. Particular information concerning the organization and franchise rights of this corporation is not obtainable and is not material. However, it is interesting and pertinent to state that the bonds issued by the company bear the signature of Robert Sewell, president, and George P. Sheldon, treasurer. For a period of time antedating the year 1891, Mr. Sheldon was a member of the law firm of Sewell, Pierce & Sheldon. Mr. Pierce subsequently became Superintendent of Insurance of the State of

New York, and it is believed that Mr. Sewell is identical with Robert Sewell, president of the Council Bluffs City Water Works Company. With this connection in mind — Mr. Sheldon's official relations with the water works company during the same period in which he was president of the Phenix Insurance Company — it will at once be observed that a convenient market was at hand for the ready disposal of the securities of the water works company, and that President Sheldon took advantage of the situation is clearly evidenced by the fact that at date of this examination the Phenix Insurance Company has in its possession and in the possession of the Carnegie Trust Company, subject to an agreement, the following securities:

\$190,000 00 par value Council Bluffs City Water Works Co 5% bonds 1943.
 278,000 00 par value Council Bluffs City Water Works Co 6% 1st mtg
 bonds 1906.
 125,000 00 par value Council Bluffs City Water Works Co pfd stock.

\$593,000 00 Total.

The total issues of these securities are as follows:

5% bonds	\$450,000 00
6% bonds	500,000 00
Preferred stock	150,000 00

The Phenix Insurance Company, therefore, is the owner of 55 per cent. of the first mortgage bonds, 42 per cent. of the 5 per cent. bonds, and 83 per cent. of the preferred stock.

The company first purchased securities of this corporation in October, 1893, and thereafter at various dates made further purchases as follows:

Year	5 per cent bonds	6 per cent bonds	Preferred stock	Total par value
1893	\$55,000	.....	.....	\$55,000
1894	65,000	.....	\$115,000	180,000
1895	5,000	.....	10,000	15,000
1896	65,000	.....	.....	65,000
1897 .....	.....	.....	.....	.....
1898 .....	.....	\$278,000	.....	278,000
Totals	\$190,000	\$278,000	\$125,000	\$593,000

Approximate cost of above securities..... \$557,576 67

The company also acquired securities of the Lincoln Gas and Electric Light Company as follows:

Year	5 per cent bonds	Stocks	Total
1900	\$100,000 00	\$70,000 00	\$170,000 00
1902	60,000 00	.....	60,000 00
1904	15,000 00	.....	15,000 00
1908 .....	.....	75,000 00	75,000 00
Totals	\$175,000 00	*\$145,000 00	\$320,000 00

Approximate cost of above securities..... \$175,000 00

The above schedule would appear to cover all actual purchases of said securities, except \$8,000 Council Bluffs 5 per cent. bonds sold in 1894. Aside from the *bona fide* entries the books contain in each year to and including 1908 numerous other entries purporting to show sales of said securities in the months of June and December and purchases of same in the months of January and July. The fact that the company still has in its possession or in possession of the Carnegie Trust Company subject to an agreement, all of the said securities originally purchased or acquired, except \$8,000 Council Bluffs 5 per cent. bonds above mentioned, is sufficient proof of the deceptive character of the middle and end of the year transactions. As the sales were entered in the books, it became necessary to account for the assumed proceeds thereof and the books were again resorted to as the deceptive medium for such purpose. It is needless to set forth here the many and devious transactions showing in the accounts, which plainly had for their object the concealment of the ownership of a block of securities of questionable value. For the years 1906, 1907 and 1908, however, the manner in which the accounts were juggled is herein presented for the purposes of illustration. At the close of the years 1906 and 1907, the company was the owner of securities issued by the Council Bluffs City Water Works Company, and the Lincoln Gas and Electric Light Company in the total amounts of \$593,000 and \$320,000, respectively, as appears in the foregoing lists. In each of these years the company in its sworn statement to the Insurance Department reported only \$110,000 5 per cent. Council Bluffs

* The books show no cash disbursements on account of the stockholdings, and it is assumed that same came into possession of the company as a bonus on its bond holdings.

bonds and \$175,000 Lincoln Gas 5 per cent. bonds, the cash book showing as of December 31st of each year purported sales of the balance of said securities amounting to a par value of \$628,000, and an approximate cost value of \$465,000, except that in 1906 the Council Bluffs stock was charged off to profit and loss.

After such cash book entries had been made for the year 1906, the investment account stood credited with the sum of \$489,576.67, representing the proceeds of the purported sale. As no sale was ever really made, no cash was ever received. Therefore, it became necessary to account for the proceeds in some other manner as of December 31, 1906, so the company made false entries on its books indicating the purchase of 2,000 shares Great Northern preferred stock at a cost value of \$377,650, and under same date credited profit and loss account, and charged investment account with 1,000 shares Baltimore and Ohio stock at a cost price of \$118,250; total, \$495,900.

The total book cost of the substituted securities was, therefore, \$6,323.33 in excess of the entered selling price of the old securities, for which sum the company drew its check on January 8, 1907, to which date the books were kept open for the year 1906. The books now showed the purchase of new securities at a cost of \$495,900, for which payment was made by the proceeds of the sale of the old securities and a check of \$6,323.33 to cover the difference in the value of the two. As a matter of fact, the old securities were not actually sold, book entries indicating a repurchase in January following, and the two lots of new securities though appearing in the annual statement among the assets owned by the company, were not really purchased until after the books were closed for the year, when checks were drawn for the sum of \$489,576.67 to make up the difference between the cost value as shown on the books and the part payment check of \$6,323.33 above mentioned.

The book value of the Baltimore and Ohio stock was entered at \$118,250, and such sum appears in the company's sworn statement. The actual cost of this stock was \$121,225, or \$2,975 in excess of the entered price, for which sum a check was drawn on January 11, 1907, which passed through a special account, created for the purpose of paying part of the losses incurred through the

California conflagration, and on December 31, 1908, was charged to fire losses.

Under date of December 31, 1907, and January 11, 1908, to which latter date the books were kept open for the year 1907, the old securities again appear in the books as having been sold for the same amount of \$489,576.67, and the following securities are entered as having been purchased at the assumed cost set opposite:

100 shares Chicago St Paul Minn & O stock.....	\$17,512 50
600 shares Northern Pacific 50% paid stock.....	45,075 00
500 shares Great Northern preferred stock.....	77,012 50
200 shares Great Northern 85% paid stock.....	17,000 00
\$150,000 U S Steel 5% bonds.....	132,572 50
50,000 M K & T 4½% bonds.....	38,562 50
50,000 Colorado Southern 4½% bonds.....	38,425 00
50,000 L S & M S 4% bonds.....	44,250 00
100,000 Union Pacific 4% bonds.....	86,175 00
50,000 Chicago R I & Pacific 4% bonds.....	31,775 00
Total	\$528,360 00

The total book cost of the substituted securities was \$38,783.33 in excess of the entered selling price of the old, for which sum the company drew its check on January 11, 1908. The result of the transaction was a book record indicating a purchase of new securities at a cost price of \$528,360, and a sale of the old securities, the proceeds of such sale amounting to \$489,576.67, together with the cash disbursement of \$38,783.33 being used in payment of the new securities. As in the previous year the entries above referred to were false, the new securities not being purchased until January 13th and later, as appears by accounts of the brokers through whom the purchases were made, or until after the books had been closed for the year. Nevertheless, all the substituted securities listed above appear in the company's sworn statement for the year 1907. Furthermore, the actual aggregate cost of said securities was \$1,600 in excess of the book cost, for which sum a check was subsequently drawn and as in the previous year was eventually charged to fire losses.

It may readily be seen, therefore, that the company by these end of the year transactions falsified its statements by reporting ownership of certain securities of a known and marketable value

on which it had only made a part payment, withholding from such statements securities of a questionable value, and through the method pursued failed to report a liability due on account of said purchases in the sum of \$492,551.67 for the year 1906, and for the year 1907 a liability in the sum of \$491,176.67.

Beginning with March 31, 1908, the Department called on the companies to submit quarterly statements, and under such requirement President Sheldon faced the necessity, if the policy of concealment was to be pursued, of again falsifying the books after adjustment in January, and submitting incorrect returns to the Department four times in each year instead of December 31st only. Therefore, for the quarterly statement of March 31, 1908, the following method was pursued, viz.: Under date of January 13, 1908, the old securities were ostensibly drawn from the investment account by crediting said account with the sum of \$489,576.67 and charging the same amount to suspense account. Such was the condition of the books when the quarterly statement of March 31st was made. Nevertheless, the said quarterly statement, sworn to by the officers, shows ownership of the following securities at the total entered cost price of \$489,576.67:

1,000 shares Union Pacific R R Co stock.....	\$117,566 67
\$50,000 Colorado & Sn Ry Co bonds.....	38,487 50
150,000 U S Steel bonds.....	132,635 00
50,000 M K & T Ry Co bonds.....	38,625 00
50,000 L S & M S Ry Co bonds.....	44,125 00
50,000 Chicago R I & Pacific Ry Co bonds.....	31,837 50
100,000 Union Pacific R R Co bonds.....	86,300 00
Total	\$489,576 67

It will be noted that the entered cost of the above listed securities is identical with the value of the old securities as established for the purposes of manipulation. The purported purchase was made under date of January 11, 1908, while as a matter of fact the actual purchase was not made until more than a year afterward, or until January 15, 1909, for the sum of \$622,611.95, or \$133,035.28 in excess of the cost price entered in the quarterly statement. As neither the quarterly statements of June 30th or September 30th, nor the annual statement of December 31st, shows the disposal of the securities purported to have been purchased,

it became necessary for the company to really make such purchases or else disclose the falsity of the quarterly statement of March 31st. The real purchase was, therefore, made on January 15, 1909, and the securities reported by the company among the assets owned in the annual statement of December 31, 1908, the books and accounts being manipulated in the following manner: From January 13, 1908, to December 31, 1908, the old securities, representing the sum of \$489,576.67, remained charged to suspense account. On the latter date, however, suspense account becomes credited and investment account charged with said amount to indicate a purchase of the new securities listed above. The new securities, however, were actually purchased on January 15, 1909, from Messrs. Fisk & Robinson.

The company had at date of closing the books for the year 1908 with this firm a credit of \$180,000 on a deposit of \$200,000 par value New York city 3 per cent. bonds. This credit, however, was insufficient to provide for the cost of the new securities, and the company to obtain the necessary funds resorted to the following method. On January 14, 1909, President Sheldon conditionally sold the Council Bluffs and Lincoln Gas securities for the sum of \$494,400 to the Carnegie Trust Company under the following contract, to wit:

"New York, January 14, 1909.

CHARLES C. DICKINSON, Esq., President, Carnegie Trust Company, 115 Broadway, New York City.

DEAR SIR.—We have this day sold to you the following securities:

\$278,000	Council Bluffs City Water Works Company 6% bonds at par.....	\$278,000
80,000	Council Bluffs City Water Works Company 5% bonds at 90.....	72,000
5,000	shares of the preferred stock of the Council Bluffs City Water Works Co at 90.....	112,500
1,450	shares of the stock of the Lincoln Gas & Electric Co at 22%	31,900
		<hr/>
		\$494,400
		<hr/>

We hereby authorize you to deliver these securities to us ninety days from date or sooner at our option, at the above prices and interest together with a commission of one per cent on par, and we will accept and pay for the same on that basis.

Yours very truly,
(Signed)

GEO. P. SHELDON,
President."

The Carnegie Trust Company then drew its check for the said amount to the order of the Phenix Insurance Company, which was indorsed by President Sheldon to Fisk & Robinson, thus supplying the necessary funds to pay for the securities actually purchased the following day, but assumed to have been in possession of the company December 31st preceding. After these various transactions had been made, the company submitted its annual statement to the Insurance Department, in which statement among the assets owned appears the new securities purchased for \$622,611.95, on which no payment had been made. There remained, therefore, an outstanding, unreported indebtedness on this purchase of \$622,611.95.

In disposing of the Council Bluffs and Lincoln Gas securities to the Carnegie Trust Company under the contract above quoted, which called for a repurchase of the same by the company at the sale price together with a commission of 1 per cent. on par at "ninety days from date," President Sheldon acted under authority of a resolution of the board of directors dated March 10, 1902, reading as follows:

"Resolved, That the president or vice-president be, and each of them is, hereby authorized and empowered to sell or assign any and all stocks, registered bonds or other securities now standing, or which may hereafter stand, in the name of the Phenix Insurance Company, and to appoint one or more attorneys for that purpose."

A certified copy of this resolution is in possession of the Carnegie Trust Company.

In following out the provisions of the contract above referred to, the Carnegie Trust Company charged the Phenix Insurance Company with the sum of \$494,400 and interest at 6 per cent., together with a commission of 1 per cent. on \$628,000, representing the par value of the securities conditionally sold, to date of July 13, 1909, the commission thereafter being arranged for on the basis of one-half of 1 per cent. of such par value. On July 23, 1909, the brokerage firm of Carter, Wilder & Company drew a check for \$27,392 to the order of "Thomas E. Haines or ourselves," indorsed to the order of the Phenix Insurance Company and again indorsed to the order of the Carnegie Trust Company by the Phenix Insurance Company, Geo. P. Sheldon, President. This check paid interest, and commission at 1 per

cent. to date of July 13, 1909. As shown by a statement presented to this Department by the Carnegie Trust Company, the said latter company charges the Phenix Insurance Company on September 30, 1909, the date of this examination, with the following indebtedness on this account, viz.:

July 13, 1909, to September 30, 1909.....	\$494, 400 00
79 days' interest on \$494,400.....	6,509 60
½% commission on securities having a par value \$628,000	3, 140 00
	<hr/>
	\$504, 049 60
	<hr/>

The above sum is carried as a liability of the Phenix Insurance Company in the financial statement set forth in the foregoing part of this report.

In connection with the conditional sale of the Council Bluffs and Lincoln Gas securities to the Carnegie Trust Company, it is pertinent to state that on January 14, 1909, the date such sale was made, the Phenix Insurance Company deposited with the Carnegie Trust Company \$250,000, and with the Empire Trust Company \$225,000. A letter of President Sheldon to the Carnegie Trust Company under date June 29, 1909, confirms an understanding that the deposit of \$250,000 could be withdrawn only upon giving thirty days' written notice. This deposit is still held by the trust company. Apparently no such agreement covered the deposit in the Empire Trust Company, though the deposit remained undepleted from January 14, 1909, to December 31, 1909, when the same was withdrawn by the Phenix Insurance Company. From the testimony of the officers of the Carnegie Trust Company it would appear that both deposits were to remain as collateral until such time as the Phenix Insurance Company repurchased the Council Bluffs and Lincoln Gas securities. We find no written agreement, however, to such effect, nor any other agreement implying a specific connection between the two deposits in question and the sale or repurchase of the securities.

TRANSACTIONS WITH FISK & ROBINSON AND CARTER, WILDER & COMPANY

Incidentally reference has been made in the foregoing part of this report to transactions with these banking and brokerage

houses. At various times during a number of years past the company purchased and sold securities through said firms. Fisk & Robinson also acted as depositories, the company having a balance of \$75,000 and accrued interest with said banking-house on September 30, 1909. In addition to such account the company had on said date a further credit in the sum of \$46,541.30 as shown in the foregoing financial statement growing out of the purchase and sale of securities. In April, 1907, the company deposited with Fisk & Robinson \$200,000 par value New York City 3 per cent. dock bonds, receiving a credit thereon of \$180,000. In February, 1908, the securities still appear in possession of Fisk & Robinson with a credit to the company of \$180,000, and remain there as shown by the monthly statements of the banking-house until January 15, 1909, the company receiving interest at 6 per cent. on \$180,000, the interest on the bonds being transferred to Fisk & Robinson. On said latter date the bonds would seem to have been considered as sold for \$180,000, and the proceeds placed to the company's credit as part payment on account of the securities purchased that day for the sum of \$622,611.95, previously referred to in connection with the conditional sale of the Council Bluffs and Lincoln Gas securities to the Carnegie Trust Company. On October 28, 1909, as appears by the testimony of Mr. Robinson, the New York City bonds were resold to the company for \$180,000 and the account charged with the same on delivery. After the readjustment of interest charges and credits, there remained a balance due to Fisk & Robinson on said date amounting to \$138,542.23. In this report we have considered the various financial transactions between Mr. Sheldon and this banking-house to be for the account of the Phenix Insurance Company, and this view is borne out by the records on the books of the company, the opinion of the officers, the testimony of Mr. Robinson and the monthly accounts submitted by the banking-house of which he was a member. President Sheldon, however, to suit his own purposes, and in order that the New York City bonds which never appeared on the books as having been sold might be returned to the company, gave the banking-house verbal and written instructions to cancel the sale of the bonds and to separate the account into two, one in the

name of George P. Sheldon personally, and the other in the name of the Phenix Insurance Company. The following letters are quoted in further explanation of this matter:

"New York, October 25, 1909.

Messrs. FISK & ROBINSON,
New York City.

GENTLEMEN.—My attention has just been called to your statement of September 30 which was received by the secretary and which I examined for the first time to-day. I find that this form of statement has been rendered without my knowledge and without my attention being called to it for some two or three months past.

In order that you may understand, permit me to express to you my understanding of the accounts:

First: There was a balance originally due by the Phenix Insurance Company to Fisk & Robinson on the purchase of certain securities and loan to the company of \$100,000. Subsequent to that time the company deposited with Fisk & Robinson \$75,000 under a mutual agreement as to interest to be allowed on such deposit. In my mind these two matters have always been separated, and as to the balance in the first account I have before this expressed the intention, and have understood that you were willing that that intention should be carried out, to allow me personally to assume that balance and discharge upon your books the company from the amount thereof. I authorize you to have the statement remodeled in that particular, and to charge my personal account with that balance, whatever it may be. This amount I promise to make good on demand at any time by Fisk & Robinson.

Second: The item of \$75,000 deposited April 2nd we have always shown on our books as a special deposit, such as we have in trust companies and national banks and subject to check, and it was not intended nor do our books in any way show that it was to be a part of the other account referred to above.

With this understanding on my part and with the desire to have the accounts remodeled so as to harmonize with our books, I return to you herewith the statement rendered by you on September 30th.

If this intention as explained above meets with your consent, on September 30th, there will show on your books a credit to the Phenix Insurance Company of \$75,000 and interest from April 2, 1909.

Yours very truly,
(Signed) GEO. P. SHELDON,
President."

"New York, October 28, 1909.

MR. GEO. P. SHELDON, *Phenix Insurance Co.*,
New York City.

DEAR SIR.—In accordance with your letter of the 25th inst., and your subsequent verbal instructions, we beg to advise you that we have cancelled the sale to us of the \$200,000 New York City 3% bonds at 90, which you claim was not intended.

After eliminating this item and adjusting the interest charges, the amount that has been charged to your personal account, as instructed, is \$138,166.12. The interest on this sum to date from September 30th is \$376.11, making the total amount due us \$138,542.23, for which we are to receive your certified check this day. This leaves at the credit of the Phenix Insurance Company \$77,262.50 subject to check, and we are accordingly sending them a corrected account current as of September 30th.

Kindly acknowledge receipt.

Yours truly,

(Signed) FISK & ROBINSON."

While the testimony of Mr. Robinson indicates that all transactions had were for account of the Phenix Insurance Company, in accordance with the terms of the letters above quoted, a corrected account was submitted to the Phenix Insurance Company showing a credit reading as follows:

"September 30th, amount charged to Geo. P. Sheldon as per his instructions, \$138,166.12."

In order to cancel this indebtedness, Mr. Sheldon on October 27, 1909, borrowed from Mr. W. J. Logan, a director of the company, 1,400 shares American Sugar Refining Company common stock, giving Mr. Logan a receipt reading as follows:

"New York, October 27, 1909.

Received of Mr. William J. Logan fourteen hundred (1400) shares of Am. Sugar Refining Co. com. stock for account of Phenix Insurance Co. to be returned upon demand.

GEO. P. SHELDON,
President."

Mr. Sheldon thereupon secured from Carter, Wilder & Company on security of said stock a personal loan of \$145,000 which he deposited to the credit of his personal account in the Liberty National Bank, and on October 28, 1909, drew his check to the order of Fisk & Robinson for \$138,542.23, being the amount of the above-mentioned credit to the company of \$138,166.12, plus interest from September 30, 1909, to date.

The amount due from Fisk & Robinson \$46,541.30 as shown in the foregoing financial statement plus the \$75,000 on deposit agrees with the credit balance of \$121,541.30 appearing on the September 30, 1909, account submitted to the company prior to the separation thereof, as per the direction of Mr. Sheldon.

This banking-house was used by Mr. Sheldon in at least one instance to divert to his own use the funds of the Phenix Insurance Company. In the account submitted to the company under date of April 28, 1909, there appears a charge on account of a check drawn to Carter, Wilder & Company for \$10,000. The following correspondence is submitted in connection therewith:

MR. GEORGE P. SHELDON,
President Phenix Insurance Co.,
68 William St., New York.

"April 28, 1909.

DEAR SIR.—At the direction of Mr. Robinson we hand you herewith our check to the order of Carter, Wilder & Co. for \$10,000 and have charged your account a like amount, which kindly acknowledge receipt of and oblige.

Very truly yours,
(Signed) FISK & ROBINSON."

MESSRS. FISK & ROBINSON,
New York City.

"April 28, 1909.

GENTLEMEN.—We beg to acknowledge receipt of yours of this date enclosing check for \$10,000 to the order of Carter, Wilder & Company, charged to our account.

Yours very truly,
(Signed) GEO. P. SHELDON,
President."

This check was deposited to the credit of the personal account of Geo. P. Sheldon with the firm of Carter, Wilder & Company, as payment of or collateral to 100 shares Kings County Electric Light and Power Company stock held for his account.

The transactions with Carter, Wilder & Company, who succeeded the firm of Tilghman, Rowland & Company, cover a period of years and comprise purchases and sales of securities, loans to the company and payments to George P. Sheldon. On September 30, 1909, a statement submitted by Carter, Wilder & Company shows said firm to have held for account of the Phenix Insurance Company the following securities:

2750 shares	Chicago & N W com stock.....	\$528,000 00
400 "	D L & W stock.....	112,000 00
550 "	American Light & Traction stock.....	143,000 00
1000 "	Chicago R I pref stock.....	78,000 00
3000 "	C M & St Paul com stock.....	483,000 00
1000 "	Lehigh Valley stock.....	103,000 00
2500 "	U S Steel com stock.....	222,500 00

Total	\$1,669,500 00
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Against these securities the firm had made advances to the company in the aggregate sum of \$1,481,051.74, leaving a credit balance of \$188,448.26. With the exception of 750 shares Chicago & N. W. and 400 shares D. L. & W. stock, none of the above securities were entered upon the books of the company, for the presumptive reason that President Sheldon in purchasing same did so with the intention of speculating rather than investing, which presumption is evidenced by the fact that under his directions the purchase and sale slips and monthly accounts covering the purchase of these securities and the purchase and sale of other securities were delivered or mailed to him personally and were withheld from the notice of the secretary for proper entry. The account was finally closed out on November 18, 1909, by a delivery of the 750 shares Chicago & N. W. and the 400 shares D. L. & W. stock to the company and the receipt by the firm of the company's check for \$72,658.95. On September 30, 1909, assuming the ownership of the two lots of securities subsequently delivered at a market value of \$256,000 and deducting therefrom the credit balance of \$188,448.26 above noted, the company was indebted to Carter, Wilder & Company if such delivery had been made on September 30th, in the sum of \$67,551.74, as appears in the foregoing financial statement. Rather than involve said statement by including the undelivered securities in the assets and charging the advances against the same as a liability, it has been deemed best to set forth among the assets only the two lots of securities delivered, and enter in the liabilities the net indebtedness existing on September 30, 1909, had delivery been made on said date.

In addition to the various transactions between the company and this firm, Mr. Sheldon found the firm to be the convenient medium through which he was enabled to divert to his own use the funds of the Phenix Insurance Company. The company having a credit with the firm, Mr. Sheldon at various times drew on the account to the extent of \$82,000. The drafts were signed by himself as president, drawn to his personal order, deposited in the Chatham National Bank and collected by said bank from Carter, Wilder & Company and charged to the account of the Phenix Insurance Company by said firm, the proceeds being

applied to Mr. Sheldon's personal account in said bank. The following comprises a list of the drafts drawn:

January	15, 1906	.....	\$5,000 00
December	24, 1906	.....	7,500 00
February	7, 1907	.....	7,500 00
April	2, 1907	.....	7,000 00
August	10, 1908	.....	10,000 00
September	8, 1908	.....	10,000 00
September	18, 1908	.....	15,000 00
November	11, 1908	.....	10,000 00
November	13, 1908	.....	10,000 00
Total			<u>\$82,000 00</u>

Article XI of the by-laws of the company provides that "All checks or drafts for money shall be signed by two of the executive officers of the company and made payable to order." The drafts drawn by Mr. Sheldon in the form above noted were, therefore, in direct violation of the by-laws. The Chatham National Bank was the collecting agency used by Mr. Sheldon in this diversion of funds, the improperly drawn drafts being presented by the bank to Carter, Wilder & Company, the said firm drawing its checks to the order of the bank in acceptance thereof. George M. Hard, president of the Chatham National Bank covering the period in which the drafts were drawn, was at the same time a director of the Phenix Insurance Company, though nothing in this investigation tends to indicate any connection between Mr. Hard and Mr. Sheldon covering these transactions. Mr. Edwin M. Carter of the firm of Carter, Wilder & Company has stated most positively that he had no knowledge whatsoever of the by-law provision calling for the signature of two officers on all checks and drafts when the drafts in question were accepted. However, that the transactions appeared questionable to the brokerage firm is evidenced by the testimony of Mr. Carter in which he states in reply to the question: "Whose authorization did you have for the payment of this money?", that he saw Mr. Sheldon who said to him "that that was money that had been used for the benefit of the company under the authority of his directors for the purpose of creating and maintaining the market in Phenix Insurance Company stock, which was being taken up

in the Chatham National Bank." In reply to further questions Mr. Carter stated that Mr. Sheldon had not presented him with the authority of the board of directors, though he had asked for it on three different occasions.

COLLATERAL LOANS

In investing its funds the company has from time to time loaned money on collateral security. While investments of this character are entirely regular, there are prohibitions set forth in sections 2, 7 and 36 of the Insurance Law, providing that no employee of the Insurance Department shall be interested in any insurance corporation except as a policyholder, nor shall any such corporation either directly or indirectly pay by way of gift, credit or otherwise any sum of money or valuable thing to such employee on any pretense whatsoever; nor shall any officer or director be pecuniarily interested in any loan from such corporation. That the provisions of these sections were disregarded by this company is clearly evidenced through an examination of the collateral loan account, which shows that President Sheldon and Secretary Koster at various dates while serving the company in official capacities borrowed money on sundry collateral securities. Such examination further shows that James F. Pierce, former superintendent of insurance; Robert H. Hunter, formerly deputy superintendent of insurance; William H. Buckley, formerly third deputy superintendent of insurance, and Isaac Vanderpoel, formerly chief examiner, also borrowed money on collateral security while officers of the State Insurance Department. In each instance, the records show that all of said loans to the department officials and to the company's officers were eventually paid off in full, except a loan to Mr. Pierce of \$29,500 disposed of in the following manner. This loan, originally made in 1895, was renewed semi-annually until January, 1902. On June 30, 1902, \$15,000 of the amount was charged off to counsel fees. The testimony of Secretary Koster indicates that as far as such witness knows, no legal services were rendered to the company by Mr. Pierce to justify such charge. The balance of the loan \$14,500 on December 31, 1902, was charged off to profit and loss. On December 31, 1905, following the death of Mr. Pierce, the company re-

ceived from his estate the sum of \$14,500 in payment of the balance previously charged off to profit and loss.

The statement has erroneously appeared in the press that the loans to Messrs. Hunter and Vanderpoel were never paid in full. In explanation, it is proper to state that the records show a final payment October 30, 1906, on Mr. Hunter's account of \$33,000, clearing the indebtedness, and a final payment November 15, 1904, on Mr. Vanderpoel's account of \$35,500, which payment covered in full the amount due. In balancing the Hunter account the company received the check of Carter, Wilder & Company, and in balancing the Vanderpoel account, the check of Tilghman, Rowland & Company, which two checks presumably transferred the balance of the loans to such brokerage houses or to Mr. Sheldon's personal account with them. The firm of Tilghman, Rowland & Company was succeeded by Carter, Wilder & Company and with both concerns Mr. Sheldon, both for the company and himself personally, carried on extensive financial operations. With the information in hand it is practically impossible to determine final disposition of the transferred balances. This is a matter, however, of no concern to the company, and is therefore not pertinent to this examination.

It would appear from written statements submitted by Secretary Koster as compiled from the books, that the company received interest on the loans to Messrs. Koster, Hunter, Buckley and Vanderpoel on the approximate basis of 5 per cent.; and on the Sheldon loans interest at about $3\frac{1}{2}$ per cent. On the James F. Pierce loan the total interest receipts aggregated the sum of \$1,344.17. Even assuming that the \$15,000 charged to legal expenses constituted a *bona fide* reduction of the amount due, the interest payable on the sum previously due and the balance to date of closing the account on a 5 per cent. basis would amount to \$13,816.11. If the \$15,000 charged off was not a proper disbursement, the interest accretions on the total amount of this loan to date of January 8, 1906, when the company received from the estate \$14,500, would amount to the sum of \$16,457.78.

A statement marked Exhibit "B," hereto annexed, contains a list of all loans made to the company's officers or directors and to employees of the Insurance Department, showing the dates and amount thereof and a particular description of the collateral

deposited with the company to secure the same. As to the collateral deposited or assumed to have been deposited, no verification thereof was possible aside from the book entries, as the loans in question have been extinguished.

BOARD OF DIRECTORS

Executive, Finance and Accounts Committees

The board of directors, originally consisting of thirty members, was by act of Legislature in 1895 reduced to not less than nine. From the year 1905 to 1909 the board consisted of nine members. Under article II of the by-laws, standing committees were appointed by the president and approved by the board to act in the following capacity:

"The Executive Committee shall act as an Advisory Committee and take cognizance of any matters affecting the interests of the company, or which may be referred to them by the President."

"It shall be the duty of the Committee on Finance and Loans to take charge of the funds of the company, and to loan the same agreeably to the provisions of law; to call in and re-loan the same as the interest of the company may require; also to consent to the substitution of new or other security for loans in place of those already held by the company, when, in their judgment, the interests of the company require such substitution. They shall have power to direct the sale and transfer of any stocks belonging to the company, whenever the interests of the company shall require it. They shall direct the Secretary in what bank or banks to deposit the moneys of the company, and report their proceedings to the Board of Directors at their stated meetings.

"No loan or investment shall be made if objected to by any two of the Committee.

"They shall cause to be legally investigated the titles to all property upon which loans shall be passed.

"It shall be the duty of the Committee on Accounts to audit the books and accounts of the Secretary, and examine the assets and securities of the company at least once in every six months, and report the condition thereof to the Board of Directors; and previous to the declaring of any dividend they shall report to the Board what dividend it is expedient to declare out of the profits of the business."

Exhibit "A," annexed to this report, contains a list of directors and members of such committees.

Section 13 of the amended charter of the company provides as follows:

"Any seven Directors shall constitute a quorum of the Board for the transaction of business; and the Board may delegate power to transact any of its business to Committees of Directors, or to Officers, or Agents, as it

shall deem proper; and the Board may, by a majority of their whole number, make such lawful By-Laws as may be deemed necessary for the management of the property, the government of the Officers, the regulation and the conduct of the affairs, and for the transfer of the stock of said Company."

The minute book of the board of directors contains under date of March 10, 1902, the following resolution unanimously adopted:

"Resolved, That the president or vice-president be and each of them is hereby authorized and empowered to sell and assign any or all stocks, registered bonds or other securities now standing, or which may hereafter stand in the name of the Phenix Insurance Company and to appoint one or more attorneys for that purpose."

The minute book of the finance committee under date of September 6, 1893, contains the following authorization:

"A meeting of the Finance Committee was this day held. Present, Mr. Powell, Chairman, Mr. Latham and President Sheldon.

"The President reported to the Committee that during the last three months, owing to the financial troubles, the collections had been slow and the loss payments heavy, and the Company was obliged either to sell securities or temporarily borrow money, and that he had followed the latter course, owing to the fact that loans could be made at low rates, and that it would be advantageous at times for the Company to borrow money and pledge its securities rather than sell the same; whereupon, it was

"Voted that the action of the President be approved and that, when the interests of the Company may require it, the President of the Company be authorized to make such loans as may be for the best interests of the company, upon pledge of the company's securities.

"The President also reported that in conference with individual members of the Finance Committee he had sold \$16,000 Milwaukee & Northern Railway Co. bonds at 105, and had made the following purchases:

225 shares N. Y. & Harlem R. R. stock at 230.

125 shares National City Bank of Brooklyn stock at 380.

500 shares Consolidated Gas Co. stock at 114½.

500 shares Delaware & Hudson Canal Co. stock at 112½,

which purchases were ratified and approved by the Committee.

The Committee then adjourned.

GEORGE P. SHELDON,
Secretary."

The minute book of the board of directors contains under date of September 11, 1893, the following resolution:

"The minutes of the meeting of the Finance Committee, September 6, 1893, were read, and the action of said Committee approved."

The duties of the board of directors are generally defined in section 13 of the charter, and the duties of the three committees

particularly defined in the by-laws above quoted. That no real supervision was exercised by the board of directors over the business and affairs of the company is clearly a matter without question, otherwise it is inconceivable how the many irregular transactions involving the funds of the company, the general conduct of its business, and its published statements could have passed the scrutiny of the board. It was to a great extent through the powers vested in the president under the foregoing resolutions of the board of directors and the finance committee that many of the improper transactions were possible. In this connection it may be stated that the *bona fide* character of the authorization of the finance committee under date of September 6, 1893, is open to some doubt. The record of this meeting is apparently in the handwriting of Mr. Sheldon on both sides of a single sheet of paper pasted in the minute book.

From 1905 on the board was composed of nine members, a majority of whom constituted a quorum for the transaction of business. Meetings were held monthly except in the months of August and September. In 1908 and 1909, however, meetings were held in September. Generally speaking, it may be stated that the board considered routine business only, delegating to the committees authority to transact particular business in accordance with the by-laws. In 1905 the board was composed of the following members: George P. Sheldon, A. K. Bolan, W. H. Wallace, W. J. Logan, W. H. Male, John Cartledge, George M. Hard, George Ingraham and Thomas R. Wood. In 1906, Directors Bolan, Wallace and Wood were replaced by E. C. Converse, F. J. Logan and Charles F. Koster. In 1907 Director W. H. Male was replaced by B. J. Greenhut. Thereafter no further change was made in the board until December 6, 1909, on reorganization of the company, when Directors Koster and Cartledge resigned and E. W. T. Gray and Henry Evans were elected in their place.

George Ingraham has been a director of the company since 1889, and its vice-president since 1897. Charles Koster has been a director of the company since 1906, and its secretary since 1904. Both individuals are severely censurable in that for years they had knowledge of many improper transactions carried on

by the president, and of the false statements submitted to the Department. By their inaction in failing to acquaint the Department and the board of directors with the facts, they acquiesced in the perpetration of a fraud.

Even though the officers failed to properly advise the board of the continuing irregularities, such fact can, to no extent, be considered a valid excuse for the non-performance of the duties of said board as expressed in the charter. It would appear that the directors took full advantage of the provisions of section 13 of the amended charter in delegating to committees and to the president power to transact much of the most important business of the company. This wholesale delegation of power without proper supervision or subsequent examination of the manner in which the duties of the president and the various committees were performed, operated to the detriment of the company. If proper supervision and examination had been exercised, the condition of the company and the irregularities practiced would not have gone unnoticed for so long a period of time.

The board of directors is open to further criticism, if not liable in a civil action, for a violation of section 117 of the Insurance Law in declaring dividends in excess of 10 per cent. of the capital, at times when the surplus of the company was insufficient to meet the requirements of statute, and for a violation of section 28 of the Stock Corporation Law in declaring dividends at times when the company's capital was impaired.

The executive committee held meetings usually monthly except in the months of July, August and September, and transacted business of a general character, frequently delegating to the president full power to act on certain matters. To a great extent it would seem the committee concerned itself only with matters referred to it by the president. In 1905 the committee was composed of the following members: W. H. Wallace, W. J. Logan, W. H. Male, A. K. Bolan and Thomas R. Wood. In 1906 W. J. Logan, John Cartledge, E. C. Converse, W. H. Male and F. J. Logan. In 1907 B. J. Greenhut replaced W. H. Male as a member of the committee. Thereafter, no change was made in the membership of the committee until after the election of the new directors on December 6, 1909.

The finance committee met at infrequent intervals, holding

three meetings in 1892, two in 1893, two in 1894, one in 1895, one in 1896, and thereafter held no meeting until November, 1905, and no subsequent meeting until the last meeting of which any record appears in December, 1907. The by-laws provide that this committee shall take charge of the funds and investments of the company, and shall exercise general control over its investments. They further provide that "no loan or investment shall be made if objected to by any two of the committee." How well the duties of this committee were performed is apparent when it is considered that only four meetings were held in fifteen years. In 1905 the membership of this committee was composed of W. H. Male, W. H. Wallace, W. J. Logan, A. K. Bolan and Thomas R. Wood. In 1906 E. C. Converse, F. J. Logan, George M. Hard, William H. Male and John Cartledge. In 1907 F. J. Logan and William H. Male were succeeded by B. J. Greenhut and W. J. Logan. Thereafter no change was made in the membership of said committee until the election of new directors on December 6, 1909.

The accounts committee held meetings usually monthly except in the months of July, August and September, the business of the meetings almost entirely being the consideration of matters in connection with the fire losses of the company. Under the by-laws it is the particular duty of such committee to make a semi-annual audit of the books and an examination of the assets, and report to the board of directors. In the years 1905 and 1906 joint reports of the finance and accounts committees were submitted to the board in January and July of each year. In subsequent years it appears that such reports were submitted in January only. In these reports the joint committees submitted statements showing the financial condition of the company "as the result of their examination." It would appear from the testimony adduced at the examination of Secretary Koster that the committee made no examination warranting the expression above quoted, but confined its labors solely to a count of the assets. This testimony is corroborated by a perusal of the statements submitted, which reflect anything but the true condition on the dates reported. In 1905 the following members composed the committee: W. J. Logan, A. K. Bolan, John Cartledge, George M. Hard and W. H. Male. In 1906 A. K. Bolan was succeeded by F. J.

Logan. In 1907 W. H. Male was succeeded by B. J. Greenhut. Thereafter no change was effected in the committee until after the election of new directors on December 6, 1909.

On the facts resultant from this examination, indicating the misuse of the authority vested in the president, being brought to the attention of the officers, the following resolution was adopted by the board of directors on date of November 26, 1909:

"Mr. Converse moved that the following resolution adopted by the Board on March 10, 1902, be rescinded.

"*Resolved*, That the president or vice-president be and each of them is hereby authorized and empowered to sell, assign any and all stocks, registered bonds or other securities now standing or which may hereafter stand in the name of the Phenix Insurance Company and to appoint one or more attorneys for that purpose.

"This motion was duly seconded and unanimously carried."

DIVIDENDS TO STOCKHOLDERS

Aside from the first two years of the company's existence, dividends were paid to stockholders in each year except the year 1888. To and including 1889 the dividend rate varied; from 1890 to and including 1904, 10 per cent. was paid; in 1905, 15 per cent.; from 1906 to 1909, inclusive, 20 per cent.

Section 117 of the Insurance Law provides that:

"No corporation may declare dividends exceeding ten per centum on its capital stock in any one year unless, in addition to the amount of its capital stock, such dividend, all outstanding liabilities and the amount of all unearned premiums on unexpired risks and policies as aforesaid, it shall have and be in possession of surplus profits to an amount equaling thirty per centum of its unearned premiums. Any dividend made contrary to the provisions of this section shall work a forfeiture of the charter of the corporation, and each stockholder receiving any such dividend shall be liable to the creditors of the corporation to the extent of the dividend received in addition to the other penalties and punishments prescribed by law."

The company's annual statements to the Department for the years 1905 to 1909, inclusive, show the following:

Year	Surplus	Unearned premium liability	Thirty per cent thereof	Dividends paid
1905.....	\$2, 236, 779 19	\$5, 212, 474 61	\$1, 563, 742 38	\$150, 000 00
1906.....	1, 626, 823 87	5, 290, 103 10	1, 587, 030 93	200, 000 00
1907.....	849, 461 73	5, 434, 581 51	1, 630, 374 45	300, 000 00
1908.....	1, 010, 453 31	6, 180, 197 85	1, 854, 059 35	300, 000 00
1909.....	511, 396 65	6, 549, 446 90	1, 964, 834 07	300, 000 00

We have not undertaken to check in detail the 1905 statement. It is evidenced, however, by "wash sale" entries in the cash book that the surplus reported therein was incorrect and at least excessive to the extent of approximately \$400,000 by the manipulation of the accounts incident to the unreported Council Bluffs securities. The surplus shown in the 1906 statement includes a paid-in surplus of \$1,000,000. An examination of such statement shows that the surplus by reason of various items improperly reported was over-stated by approximately \$1,340,000. The dividends paid in 1906 were declared in full in January of the same year; that is, a dividend of 20 per cent. was declared in January, payable quarterly, the first instalment on demand and the remaining three on the first day of April, July and October respectively.

In April the California conflagration occurred, entailing an ultimate loss of over \$3,000,000. Even in face of this disaster the company paid the quarterly dividends of July and October, when it must have been apparent to a board of directors which had even a superficial knowledge of the conditions that the payment of such dividend was detrimental to the company's interest. The corporation was unquestionably insolvent at the time, and even though the courts have construed that a dividend declared belongs to stockholders at time of declaration, it would seem in view of the circumstances that, if the corporation was obligated to pay such dividends, the stockholders should have been assessed for a return of the same. The surplus shown in the 1907 and 1908 statements was incorrect and overstated by approximately \$1,138,000 and \$1,053,000 respectively. In both years it would appear that the capital was actually impaired. Under the heading "Annual Statements to the Department" hereinafter appearing, particular reference is made to the surplus reported by the company at the close of the years 1906, 1907 and 1908, respectively, and the corrections made in respect thereto. The revised figures are considered in arriving at the amounts of surplus overstated, as set forth approximately above. However, in estimating the surplus for the purpose of making dividends, under the provisions of section 117 of the Insurance Law, previously quoted, the revised figure for the year 1907, showing an impairment of

capital should be increased by \$83,400, the estimated value of \$278,000 Council Bluffs City Water Works Company 6 per cent. bonds, creating an impairment on such basis of \$372,429.94; and the revised figure for the year 1908 should be increased by the same amount of \$83,400, creating an impairment on such basis of \$126,167.04. As the 6 per cent. bonds so held were in default as to principal, and foreclosure proceedings had not been commenced until January 11, 1909, they are not admissible as an asset in said years in arriving at the condition for dividend-paying purposes.

The 1909 dividends were declared and paid before the commencement of this examination, when it was plainly evident, on the company's own figures, without any reconstruction thereof, that the dividends so paid were unwarranted and illegal.

It will be seen from the foregoing that the dividends declared in the years 1907, 1908 and 1909, respectively, were wholly unwarranted by the condition of the company; and were also illegal because of the fact that the surplus of the company at the various dates of declarations did not amount to 30 per cent. of the unearned premium liability, as called for by section 117 of the Insurance Law above quoted.

Aside from and in addition to the provisions of section 117 of the Insurance Law, section 28 of the Stock Corporation Law has a direct bearing on the acts of those directors who assented to the declaration and payment of dividends in the years 1908 and 1909, at the beginning of which years the capital was actually impaired, as shown by the foregoing revised figures. Section 28 of the Stock Corporation Law reads as follows:

"Section 28. Liability of directors for making unauthorized dividends.—The directors of a stock corporation shall not make dividends, except from the surplus profits arising from the business of such corporation, nor divide, withdraw or in any way pay to the stockholders or any of them, any part of the capital of such corporation, or reduce its capital stock, except as authorized by law. In case of any violation of the provisions of this section, the directors under whose administration the same may have happened, except those who may have caused their dissent therefrom to be entered at large upon the minutes of such directors at the time, or were not present when the same happened, shall jointly and severally be liable to such corporation and to the creditors thereof to the full amount of any loss sustained by such corporation or its creditors respectively by reason of such withdrawal, division or reduction. But this section shall not prevent a division and distribution of the assets of any such corporation remaining after the payment

of all its debts and liabilities upon the dissolution of such corporation or the expiration of its charter; nor shall it prevent a corporation from accepting shares of its capital stock in complete or partial settlement of a debt owing to the corporation, which by the board of directors shall be deemed to be bad or doubtful."

In declaring and paying dividends when an impairment of capital existed, the directors clearly violated the provisions of this section, and those directors who were present and assented to the declaration at the meetings at which such dividends were declared, are jointly and severally liable for a return of the same to the corporation.

The minute book of the board of directors shows the following record of meetings in the years 1908 and 1909, at which dividends were declared:

Regular meeting January 20, 1908

Present: George P. Sheldon	B. J. Greenhut
John Cartledge	George Ingraham
George M. Hard	Charles F. Koster
Frank J. Logan	

Resolution unanimously passed declaring a dividend of 5 per cent. on the capital stock, payable on demand.

Regular meeting March 9, 1908

Present: George P. Sheldon	Frank J. Logan
John Cartledge	B. J. Greenhut
George M. Hard	George Ingraham
W. J. Logan	Charles F. Koster

Unanimously Resolved, That a dividend of 5 per cent. on the capital stock be declared payable April 1, 1908.

Special meeting July 1, 1908

Present: George P. Sheldon	Frank J. Logan
John Cartledge	George Ingraham
George M. Hard	Charles F. Koster
W. J. Logan	

Unanimously Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable July 1, 1908.

Special meeting September 29, 1908

Present: George P. Sheldon	W. J. Logan
John Cartledge	George Ingraham
George M. Hard	Charles F. Koster

Unanimously Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable October 1st.

Regular meeting January 18, 1909

Present: George P. Sheldon	B. J. Greenhut
John Cartledge	George Ingraham
W. J. Logan	Charles F. Koster
Frank J. Logan	

Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable on demand.

Special meeting March 31, 1909

Present: George P. Sheldon	B. J. Greenhut
John Cartledge	George Ingraham
George M. Hard	Charles F. Koster
Frank J. Logan	

Unanimously Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable April 1st.

Regular meeting June 14, 1909

Present: George P. Sheldon	Frank J. Logan
John Cartledge	B. J. Greenhut
George M. Hard	George Ingraham
W. J. Logan	Charles F. Koster

Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable July 1st.

Special meeting September 28, 1909

Present: George P. Sheldon	Frank J. Logan
George M. Hard	George Ingraham
W. J. Logan	Charles F. Koster

Resolved, That a dividend of 5 per cent. on the capital stock be declared, payable October 1st.

The dividend declared in January of each of said years was by action of the board, after receipt of report of a joint meeting of the finance committee and the committee on accounts, recommending such dividends.

The report of the joint committee submitted at the meeting of January 20, 1908, bears the signatures of B. J. Greenhut, Geo. M. Hard and George P. Sheldon, committee on accounts, and John Cartledge, Frank J. Logan and George P. Sheldon, finance committee.

The report of the joint committee submitted at the meeting of January 18, 1909, bears the signature of W. J. Logan, John Cartledge, Frank J. Logan, committee on accounts, and B. J. Greenhut and George P. Sheldon, finance committee.

The actual condition of the company at the various dates in said years at which dividends were declared, other than in January, 1908 and 1909, and September, 1909, is practically impossible to arrive at, except by a particular examination of the corporation on each date a dividend was declared. It is altogether unlikely, however, that a surplus existed at any time during the year 1908. At what time in 1909 the impairment shown to exist on January 1st was overcome is difficult of determination, though while the dividend declared September 28, 1909, was unquestionably illegal and against the provisions of section 117 of the Insurance Law, the directors would not seem liable for a return thereof under section 28 of the Stock Corporation Law.

CALIFORNIA CONFLAGRATION AND ITS EFFECT ON THE COMPANY

The California conflagration occurred in April, 1906, and this company in common with practically all other large fire insurance corporations operating in the United States suffered a severe fire loss thereby. The records of the company show that the gross amount paid for losses incident to this disaster amounted to the sum of \$4,984,183.75, on which the company collected for reinsurance and salvage \$1,532,242.38, showing a net loss in the sum of \$3,451,941.37. Assuming that the financial condition on April 16, 1906, the date of the conflagration, was approximately the same as on the previous December 31st, a statement of condition on April 16th would show a capital of \$1,000,000 and a surplus of approximately \$1,800,000 or a surplus to policyholders of \$2,800,000. It will, therefore, be seen that the fire loss in this disaster wiped out the entire capital and surplus and created further a deficiency of \$650,000. This was the condition which faced the president and directors, making it necessary that some action be taken looking to the acquirement of additional funds, in order that the losses might be met and the corporation preserved.

How fully the directors were informed of the real condition of affairs can best be judged by a perusal of the minutes of a meeting of the board of directors held May 14, 1906. At this meeting there were present:

George P. Sheldon, President,	E. C. Converse
John Cartledge	George Ingraham
George M. Hard	Charles F. Koster
Frank J. Logan	

The following appears in the record:

"The president announced the receipt of satisfactory advices from San Francisco showing that the actual net surplus of the company is more than ample for the payment of all our losses but suggested, however, the advisability of increasing the present capital of the company to One Million, Five Hundred Thousand Dollars (\$1,500,000.00) in order to give increasing confidence to our agents and to the insuring public."

It might be further noted as illustrating the policy adopted by this company in its published reports of the losses incurred in California, that in response to the Insurance Department inquiry of April 23, 1906, calling for estimates thereon, the Phenix Insurance Company estimated its loss at \$1,750,000. In reply to a subsequent department inquiry under date of June 20, 1906, the company submitted a sworn statement setting forth the actual amount of loss as \$2,296,125. While accurate knowledge concerning the full amount of the loss was not obtainable when the sworn statement was rendered, it is hardly conceivable that the information in hand was so incomplete as to justify the submittal of figures which misrepresented the total loss by upwards of \$1,000,000.

At the meeting above referred to, on motion of Director E. C. Converse, it was resolved that a special meeting of the stockholders of the Phenix Insurance Company be called in the manner provided by law, and that the following resolution be submitted to the stockholders for adoption:

"Resolved, That the capital stock of the Phenix Insurance Company amounting to one million dollars (\$1,000,000.00) consisting of twenty thousand (20,000) shares of the par value of fifty dollars (\$50.00) each, be increased to one million five hundred thousand dollars (\$1,500,000.00) to consist of thirty thousand (30,000) shares of the par value of fifty dollars (\$50.00) each."

The record shows that the special meeting of the stockholders was held on June 11, 1906, and that at such meeting a resolution to increase the capital stock was unanimously adopted. However, the final payment of the increased capital and surplus was not made until December 28, 1906. Such increased capital and surplus was verified by departmental examination and report thereon submitted under date of December 28, 1906, such report indicating that the sum of one million five hundred thousand (\$1,500,000) dollars was on deposit in the Bankers' Trust Company on said date to the credit of the Phenix Insurance Company "placed to its capital account." That the company at various dates subsequent to the special sworn statement of June 30, 1906, continued its policy of withholding from the Department and the public full information of the loss sustained in the California conflagration is evidenced by the fact that on December 31, 1906, there still remained unpaid on such account the sum of \$394,065, and on December 31, 1907, the sum of \$260,715, neither of which items was carried as a liability in its annual statements to the Department for such years. At date of this examination, all claims growing out of the California conflagration have been paid except two, which are in process of adjustment.

SPECIAL ACCOUNT

For the purpose of taking care of a portion of the California losses, and in connection with the reinsurance of the Globe & Rutgers Fire Insurance Company, and the increase in the company's capital stock, a special account was opened in the Oriental Bank by depositing therein on November 21, 1906, \$200,000 transferred from the then part paid in new capital on deposit in the Bankers' Trust Company. On February 24, 1908, the balance in the account was transferred to the Metropolitan Bank and finally closed out on January 12, 1909. The transactions in this account were kept apart in a special cash book and special check books, certain items never passing through the regular books of the company, and certain other items not being entered therein until the closing of the books for the year 1908.

The following is a synopsis of said account, showing credits thereto and amounts disbursed therefrom:

Receipts

Transferred from new capital.....	\$200,000 00
Loan from Chatham National Bank.....	125,000 00
Loan from Carter, Wilder & Co.....	200,000 00
Received from Globe & Rutgers Fire Insurance Co. on account of reinsurance	375,836 04
Loan to Geo. P. Sheldon repaid.....	89,280 68
Loan to Chas. F. Koster repaid.....	22,500 00
Interest on above loans.....	1,670 11
Received from Phenix Insurance Co.....	8,350 00
Total	\$1,022,636 83

Disbursements

California losses paid	\$394,065 00
Excess cost of securities over book entries charged to losses....	4,575 00
Interest on borrowed money (\$5,376.10 charged to losses)	7,046 21
Legal fees	1,000 00
Commission on sale of new capital stock charged to expense...	16,207 50
Commission on G. & R. reinsurance contract charged to com- missions	15,482 42
Returned to new capital account.....	75,000 00
Returned to Phenix regular account.....	172,480 02
Borrowed money repaid	225,000 00
Loan to Geo. P. Sheldon.....	89,280 68
Loan to Chas. F. Koster.....	22,500 00
Total	\$1,022,636 83

The loans to President Sheldon and Secretary Koster set forth in the above statement do not appear of record in the company's regular accounts. The following is a statement thereof:

George P. Sheldon

Date of loan	Amount	Collateral	Date paid	Amount
Mar. 24, 1908	\$30,280 68	Phenix Ins. Co. stock		
Mar. 26, 1908	30,000 00	Phenix Ins. Co. stock		
June 19, 1908	7,500 00	74 shares Phenix Ins. Co. stock.		
Aug. 8, 1908	21,500 00	\$27,000 C. B. C. W. Co. bonds.	Dec. 22, 1908	\$29,000 00
			Jan. 12, 1909	60,280 68
Total....	\$89,280 68			\$89,280 68

Charles F. Koster

Aug. 19, 1907	\$7,500 00	100 shares B. & O. stock			
Oct. 28, 1907	15,000 00	86 shares Phenix Ins. Co. stock	Sept. 8, 1908	\$4,000 00	
		50 Amal. Copper Co. stock	Oct. 1, 1908	500 00	
		50 shares Amal. Cop- per Co. stock	Oct. 30, 1908	2,000 00	
			Nov. 7, 1908	13,500 00	
			Dec. 10, 1908	2,500 00	
Total....	\$22,500 00			\$22,500 00	

In addition to the violation of section 36 of the Insurance Law by reason of loans to officers or directors, the provisions of section 16 of said Insurance Law were also violated in the loans above set forth which were made on the collateral security of the company's own stock.

The intricacies of the special account are almost impossible of solution, owing to the fact that a satisfactory explanation of certain items contained therein is not forthcoming from any source investigated. In particular, an item of \$17,091.10 eventually charged to profit and loss composed of \$10,715 fire losses, \$5,376.10 interest and \$1,000 legal fees, seems to be involved with a check to Carter, Wilder & Company of \$117,091.10 charged to fire losses and legal fees, which check appears on the accounts of said brokerage firm as a credit for the purchase or delivery of Jersey Central stock. The profit and loss charge should properly have been separated into the three accounts as above if the check to the brokerage firm was drawn for the purpose stated in the account. In the absence of proper records, vouchers, etc., it seems impossible to arrive at a further explanation. In charging the item to profit and loss, the entry reads as follows:

"Cash to Profit and Loss a/c
To amount of difference in cash per
general cash book \$17,091.10."

But such entry seems to be in error.

Without entering into further detail regarding specific transactions, it is sufficient to state that the sole purpose of the "Special Account" was to withhold from the books of proper record certain transactions involving large sums of money, to the end that

liabilities might not appear which would have seriously impaired the standing and affect the condition of the company.

AGREEMENT IN CONNECTION WITH CAPITAL INCREASE TO PROVIDE FUNDS FOR A PORTION OF THE STOCK ISSUE

On December 26, 1906, an agreement was entered into between the Bankers' Trust Company, certain subscribers and Fisk & Robinson, by the terms of which agreement, the subscribers, representing 4,000 shares of the increased capital stock of the par value of \$50 a share, subscribed for at \$150 a share, borrowed from the Bankers' Trust Company the sum of \$450,000. This loan amounts to 75 per cent. of the subscription of \$600,000 represented by the subscribers upon which \$150,000 had been paid. Messrs. Fisk & Robinson were appointed agents for the purpose of selling the said stock, the certificates for same being deposited in negotiable form with the Bankers' Trust Company. A copy of this agreement is hereto attached, marked Exhibit "C." The eventual sale and transfer of the stock held by the syndicate is not material to this examination. However, in connection with the stock subscribed for by certain members of the syndicate, it is pertinent to set forth the following irregular transaction. A commission of 5 per cent. of the subscribed for value of the stock was paid from the funds of the Phenix Insurance Company to the following individual members of the syndicate:

George P. Sheldon.....	\$3,225 00
W. J. Logan.....	3,300 00
F. J. Logan.....	1,650 00
J. B. Greenhut.....	3,000 00
Benjamin F. Tracy.....	2,625 00
Isaac D. Fletcher.....	1,500 00
L. C. Lathrop.....	2,250 00
Fisk & Robinson.....	6,832 50
Total	\$24,382 50

These payments passed through the cash book of the "Special Account" on various dates between December 28, 1906, and December 3, 1907, being finally charged to expense in the company's regular books under date of December 31, 1908, less a return of \$8,175 as follows:

The commission on the stock subscribed for by W. J. and F. J. Logan respectively was paid to George P. Sheldon "per order of W. J. Logan" as appears in the cash book of the "Special Account." Subsequently, this commission amounting to \$4,950, together with \$3,225, the commission on his own subscription, was returned to the company by Mr. Sheldon. We find no record of the return of any commission paid to any other stockholder except Mr. Sheldon. With the deduction, therefore, on account of the return made by Mr. Sheldon, the company paid net from its funds the sum of \$16,207.50 as commission on its increased capital stock paid in on or before December 28, 1906. The certificate embodied in the report of the Insurance Department examiners on said increased capital, sworn to by the officers, states that said deponents "do not know and are not informed of any matter, cause or thing whatsoever, which in their judgment or belief can or will in any manner or form, impair, lessen or jeopardize the old or the increased capital or surplus of said company, or any part thereof." The facts cited above indicate that certain subscribers to the increased capital stock in effect paid for same at the rate of \$142.50 per share instead of \$150 as appears in the certificate.

TRANSACTIONS IN THE CAPITAL STOCK OF THE COMPANY BY THE PRESIDENT

Assumably for the purpose of holding up the market value of the stock of the company, Mr. Sheldon, at various times, bought stock, using the funds of the company in payment thereof. Conclusive information as to the extent of these transactions is wanting, owing to the absence of records in the regular books and the destruction of the temporary memoranda. It would appear, however, that beginning with June, 1906, and covering a period of about eighteen months, Mr. Sheldon purchased 798 shares of stock for \$120,130.68, paying for same with the company's funds. According to a statement made by the cashier, slips were held in the cash drawer for the moneys so disbursed and the amount carried as cash in office. As further stated by the cashier when it became necessary to balance the books, the cash drawer slips were exchanged for Mr. Sheldon's personal checks, which were returned to him the following day. Thereafter, from time to time, the

stock was disposed of, but in January, 1908, there remained 399 shares costing \$60,280.68. On January 11, 1908, this amount appears on the books charged to suspense account. On the same day Mr. Sheldon borrowed from the company \$15,000, two checks being drawn to his order in the aggregate sum of \$75,280.68, covering the cost of the stock and the amount of the loan. The suspense account charge was balanced on March 26, 1908, by Mr. Sheldon returning to the company his check for \$60,280.68. No actual return, however, was made at this time, as Mr. Sheldon, in order to procure the necessary funds for such purpose, borrowed the total sum from the "Special Account," two checks being drawn to his order for \$30,280.68 and \$30,000, respectively. On January 12, 1909, prior to the closing of the "Special Account," the advance was really returned by receipt of Mr. Sheldon's check. In exchange for the loan of \$15,000, the company received from Mr. Sheldon three checks of \$5,000 each, dated, respectively, August 10, September 21 and November 30, 1908, which were paid when presented. This loan never was charged on the books of the company, the amount being carried as cash in office until paid.

ANNUAL STATEMENTS TO THE DEPARTMENT

In the years 1893 and 1894 the company first purchased securities issued by the Council Bluffs City Water Works Company of Council Bluffs, Iowa. In each succeeding year thereafter purchases and sales of the securities of this company appear on the books, the purchases being usually made in January and July and the sales in June and December. Previous to the year 1898, the said securities do not appear in the company's sworn statements, though numerous entries in the books tend to indicate actual ownership thereof. From 1898 to 1908 the company reported in its assets securities of the Council Bluffs City Water Works Company and Lincoln Gas and Electric Light Company, respectively, in varying amounts. By examination of the books it is again clearly evident that in each of said years the company was in possession of additional securities issued by these two corporations, which it failed to report, except that on January 14, 1909 (for the year 1908), a conditional sale in part was made to the Carnegie Trust Company. The fact that securities of the said corporations are either in possession of the company, or in pos-

session of the trust company subject to an agreement, to an amount greatly in excess of the amount ever reported, which were acquired in the year 1898 and previous years, and never actually sold, unless the conditional sale of January 14, 1909, is eventually held to be valid, is convincing proof that the book entries indicating sales in June and December and purchases in January and July were not of a *bona fide* character, and were made with the direct purpose in view of deceiving the Department and the public. By reason of the death of President Sheldon and the two secretaries serving as such prior to the year 1904, and the involved bookkeeping entries incident to the real or alleged transactions in the securities above referred to, it is impossible to accurately set forth to what extent the company's annual statements prior to the year 1906 were incorrect. The annual statements for the years 1906, 1907 and 1908 — the last three filed by the company under its management by President Sheldon — have been examined in respect to certain large items of assets and liabilities, such examinations indicating clearly returns false and inconsistent with the known condition of the company. That the president and secretary who swore to such statements were both cognizant of their falsity and incorrectness, and that they were parties to and primarily responsible for their preparation in the form submitted, is demonstrated beyond question by such examination and by the testimony adduced in the course of this investigation from the officers and employees of the company.

The statement filed by the company for the year ending December 31, 1906, showed a surplus in the sum of \$1,626,823.87. In arriving at such surplus the company failed to include the following liabilities:

Accrued taxes on premiums (estimated).....	\$100,000 00
Unpaid California losses and borrowed money.....	394,065 00
Unearned premiums, estimated (see testimony of J. J. Murphy).....	300,000 00
Due on account of purchase of securities....	\$492,551 67
Less estimated value of \$278,000 Council Bluffs City Water Works Co. 6% bonds, and 1450 shares Lincoln Gas & E. L. Co. stock.....	112,400 00
	<hr/>
	380,151 67
Total.....	<hr/>
	\$1,174,216 67

In the same statement credit was improperly assumed for an uncollectible California past due agency balance, included in the item agency balances subsequent to October 1st			\$56,129 42	
And market value of \$110,000 5% Council Bluffs City Water Works Co. bonds.....			110,000 00	
				<u>\$166,129 42</u>
Total				<u>\$1,340,346 09</u>
Surplus reported			\$1,626,823 87	
Surplus corrected by above items.....			286,477 78	
Amount of surplus credit improperly assumed.			<u>\$1,340,346 09</u>	<u>\$1,340,346 09</u>

The surplus reported for the year ending December 31, 1907, amounting to \$849,461.73, was incorrect through over-valuation of assets and failure to include certain liabilities, as follows:

Market value \$110,000 5% Council Bluffs C. W. W. Co. bonds carried as an asset.....	\$99,000 00	
Accrued taxes on premiums (estimated).....	100,000 00	
Unpaid California losses and borrowed money.....	260,715 00	
Unearned premiums, estimated (see testimony of J. J. Murphy).....	300,000 00	
Due on account of purchase of securities....	\$491,176 67	
Less estimated value of \$278,000 Council Bluffs City Water Works Co. 6% bonds, and 1450 shares Lincoln Gas & E. L. Co. stock	112,400 00	
		<u>378,776 67</u>
Total		<u>\$1,138,491 67</u>
Surplus reported	\$849,461 73	
Impairment of capital by above items.....	289,029 94	
Amount of surplus credit improperly assumed.	<u>\$1,138,491 67</u>	<u>\$1,138,491 67</u>
Impairment of capital as above.....	\$289,029 94	
Elimination of credit on account of assumed value of C. B. C. W. W. Co. bonds (included in item of \$112,400).....	83,400 00	
Impairment on dividend payment basis.....	<u>\$372,429 94</u>	

The surplus reported for the year ending December 31, 1908, amounting to \$1,010,453.31, was incorrect through over-valuation of assets and failure to include certain liabilities, as follows:

Market value \$110,000 5% Council Bluffs C. W. W. Co. bonds carried as an asset.....		\$102,300 00
Unearned premium, estimated (see testimony of J. J. Murphy).....		300,000 00
Additional unearned account of reinsurance contracts.....		140,708 40
Due on account of purchase of securities.....	\$622,611 95	
Less estimated value of \$278,000 Council Bluffs C. W. W. Co. 6% bonds and 1450 shares Lincoln Gas & E. L. Co. stock.....	112,400 00	
		<u>510,211 95</u>
Total.....		<u><u>\$1,053,220 35</u></u>
Surplus reported	\$1,010,453 31	
Impairment of capital by above items.....	42,767 04	
		<u>Amount of surplus credit improperly assumed</u>
	<u>\$1,053,220 35</u>	<u>\$1,053,220 35</u>
Impairment of capital as above.....	\$42,767 04	
Elimination of credit on account of assumed value of Council Bluffs City Water Works Co. bonds (included in item of \$112,400) ..	83,400 00	
		<u>Impairment of dividend payment basis.....</u>
	<u>\$126,167 04</u>	

In the above abstracts of the statements for the years 1906, 1907 and 1908, it is to be understood that the corrections made therein are to a considerable extent estimates, based on an examination of accounts and books, which have with plain intent been confused by fraudulent and improper entries and on the testimony of individuals having knowledge of the company's affairs.

In 1906 the company carried the 5 per cent. Council Bluffs City Water Works Company bonds at par; in 1907 at 90, and in 1908 at 93; representing a valuation in 1906 of \$110,000; in 1907 of \$99,000, and in 1908 of \$102,300. It is impossible to determine with accuracy the actual market value of these bonds in each of said years, but it may safely be said that the credit assumed was unwarranted by reason of the fact that Mr. Sheldon, who was an officer of and the controlling factor in the water works

company, had full knowledge of a condition which finally resulted in a receivership. In the light of information received concerning the affairs of the Council Bluffs City Water Works Company, we have considered it proper to include the first mortgage bonds at a valuation of thirty, and eliminate the 5 per cent. bonds and preferred stock from the list of assets set forth in this report, and likewise from the statements of 1906, 1907 and 1908. There is little if any doubt that a full examination of the company at the close of the years above mentioned, now rendered practically impossible through the lapse of time, would bring to light other discrepancies than those briefly referred to above, which would further reduce the reported assets of the company or increase the reported liabilities.

For years the company has improperly reported its unearned premium liability in the annual statements submitted to the Department. The reinsurance reserve clerk has testified that in respect to the statement for the year 1908 and for the five preceding years, the said liability was arbitrarily reduced by the sum of \$300,000 under orders of President Sheldon. This statement would seem to admit of no question in view of the fact that this examination has resulted in a large increase in such liability.

REINSURANCE CONTRACTS

In common with other large fire insurance corporations, the company as occasion presented reinsured the risks of other corporations. In late years, the largest contracts of this character were made with the American Insurance Company of Boston on February 26, 1904; the Globe and Rutgers Fire Insurance Company on February 20, 1908; the United Firemen's Insurance Company of Philadelphia on April 20, 1908; and the Citizens' Insurance Company of New York in January, 1902.

By the contract with the American Insurance Company, the company reinsured business representing an unearned premium liability amounting to the approximate sum of \$264,000 on a $33\frac{1}{3}$ per cent. commission basis. The liability thereunder at date of this examination is practically expired.

The contract with the Globe and Rutgers Fire Insurance Company comprised a reinsurance of one-third of the entire business

in force on the books of said company on date of contract, amounting to an unearned premium liability of \$585,455.46, the commission consideration being 40 per cent., with a 40 per cent. contingent commission on the net profits, if any. This reinsurance involved a further payment of $2\frac{1}{2}$ per cent. on the net amount, paid to an intermediary for services rendered in connection therewith.

Through the contract with the United Firemen's Insurance Company, the company reinsured an unearned premium liability of \$621,347.20 on a $33\frac{1}{3}$ per cent. commission basis. This reinsurance also involved a further payment of $2\frac{1}{2}$ per cent. on the net amount, paid to an intermediary for services rendered in connection with same.

In reporting above on discrepancies in the annual statement of 1908, under the caption "Annual Statement," an additional liability is set forth as follows: "Additional unearned account or reinsurance contracts, \$140,708.40." This item has particular reference to the reinsurance contracts with the Globe and Rutgers and United Firemen. As appears by statements made by J. J. Murphy, the reinsurance reserve clerk, and by his testimony, the liability of the Globe and Rutgers contract was computed on an incorrect basis, the gross amount ceded and in force on such date being reduced by 40 per cent. to cover the commission, the net sum arrived at thereby being again reduced by 40 per cent. In computing the unearned premium liability on the United Firemen contract, the commission of $33\frac{1}{3}$ per cent. was deducted from premiums in force, which was incorrect, in view of the fact that the company had retired from the State, no such deduction being legal under the provision of section 22 of the Insurance Law. A correction in the reserve covering these two contracts of reinsurance accounts for the item of \$140,708.40.

In January, 1902, the company reinsured the outstanding premium liability of the Citizens' Insurance Company of New York, approximating the sum of \$520,000 on a 30 per cent. commission basis, the net amount payable being \$364,000. The account stands on the journal and cash book as follows:

Premiums reinsured January, 1902.....		\$520,000 00
Less 30 per cent commission.....		156,000 00
		<hr/>
Net amount payable.....		\$364,000 00
Paid Citizens February 28, 1902.....	\$15,000 00	
Paid Citizens January 15, 1903.....	15,000 00	
		<hr/>
		30,000 00
		<hr/>
		\$394,000 00

Payments Made by Citizens' Insurance Company.

January 31, 1902	Cash	\$203,500 00	
February 18, 1902	"	46,500 00	
April 17, 1902	"	10,000 00	
April 29, 1902	"	15,000 00	
December 27, 1902	"	35,000 00	
January 14, 1903	"	55,040 00	
June 12, 1908	(account of real estate) ..	13,960 00	
		<hr/>	
Total			379,000 00
			<hr/>
Balance unpaid			\$15,000 00
			<hr/> <hr/>

This balance of \$15,000 has been carried by the company as an uncollected premium past due. No evidence has been found to indicate that the \$15,000 has ever been paid. It is stated that the company has in its possession a check for \$15,000 signed by Edward A. Walton and F. M. Parker, respectively, president and secretary of the Citizens' Insurance Company, presumably given on account of this unpaid balance, which check has never been presented for payment. The check we have not been able to find. However, certain other documents have been found in the files of the company apparently having connection with this matter, the said documents comprising a note for \$15,000, dated December 30, 1902, payable one month after date to the order of the Phenix Insurance Company, signed "Edward A. Walton;" a deed to property located in Monmouth county, New Jersey, dated January 10, 1903, from Caroline T. Walton and Edward A. Walton to the Phenix Insurance Company, the said deed being subject to a mortgage of \$15,000 to the Manhattan Life Insurance Company, and a letter reading as follows:

"July 16, 1902.

GEO. P. SHELDON, *President,*
Phenix Insurance Company,
New York City.

DEAR SIR.—Referring to our conversation of this morning, I repeat in writing what I said to you, that in case the assets of this company when disposed of do not realize sufficient to entirely pay the balance due your company on our reinsurance contract, that I will personally guarantee the difference. In the worst possible case I do not see how this can exceed twenty to twenty-five thousand dollars, but I do not intend to limit my guarantee or responsibility.

Thanking you for your considerate treatment of the matter,

Very truly yours,

EDWARD A. WALTON."

The note bears no marks indicating its presentation at the bank for collection. Secretary Koster, though not secretary at the time, is of the opinion as stated in his testimony, "that this note has something to do with that \$15,000 check which is being carried." In any event, no evidence appears that the note was ever paid.

The deed to the property in Monmouth county, when found, had not been recorded. The company's counsel, however, on February 9, 1910, took the necessary steps and had same duly recorded as a mortgage.

The letter of Mr. Walton above quoted indicates plainly his intention to personally guarantee the payment of the balance due on the reinsurance contract, should the assets of his company when disposed of not realize sufficient to entirely pay the same.

On January 15, 1906, the company entered into a reinsurance contract with the United States branch of the Russia Insurance Company of St. Petersburg, Russia, ceding a portion of certain risks to said company on a 25 per cent. commission basis, plus a 10 per cent. contingent on the net annual profits, if any. This contract is still in force.

ATLANTA GENERAL AGENCY

This general agency, known as the southeastern department, was established on January 1, 1885, and placed in charge of Mr. H. C. Stockdell as general agent, with offices at Atlanta, Georgia. Mr. Stockdell had previously served the company for some few years as a special agent. This department comprises the States of

Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi and Louisiana, in which there are approximately 850 sub-agents reporting to and under the direct supervision of Mr. Stockdell.

The net annual premium writings of this general agency have for some years averaged upward of \$750,000. Mr. Stockdell operated under a contract providing for a fixed annual salary in the sum of \$6,000 and a contingent commission of 7½ per cent. on the net annual profits accruing in his department. As shown by the records of the company, Mr. Stockdell received as contingent commissions the following amounts:

Business of 1887	Paid in 1888	.....	\$1,613 52
" " 1889	" " 1890	.....	2,375 74
" " 1890	" " 1891	.....	2,348 16
" " 1892	" " 1893	.....	91 11
" " 1894	" " 1895	.....	1,026 20
" " 1895	" " 1896	.....	102 23
" " 1896	" " 1897	.....	1,632 27
" " 1897	" " 1898	.....	81 91
" " 1902	" " 1903	.....	5,009 83
" " 1903	" " 1904	.....	7,299 45
" " 1904	" " 1905	.....	7,610 46
" " 1905	" " 1906	.....	4,500 00
" " 1906	" " 1907	.....	3,409 69
Total			<u>\$37,100 57</u>

In no other year did he receive a payment on account of such contingent commission, the agency assumably showing profits only in the years above noted.

As indicated by the testimony of John M. Slaton, who for a number of years past has acted as the company's attorney in the south, it came to the notice of President Sheldon in the early part of 1907, that General Agent Stockdell was indebted to the company for moneys due and retained by him in the sum of \$54,377.68. As stated by Mr. Slaton, this information was submitted by him to the president under specific directions from Mr. Stockdell. Against this indebtedness Mr. Stockdell presented a counterclaim for moneys alleged to have been expended by him for the benefit of the company amounting to the sum of \$32,576. An entry appears on the agency ledger for the years 1906 and

1907 in the form of a memorandum setting forth certain expenditures claimed to have been made by him in the interest of the company between the years 1885 and 1905 amounting to such sum. We find no authorization for the disbursement by the general agent of the moneys constituting his counterclaim, but that President Sheldon had knowledge of the matter is indicated by a letter of the general agent to the president dated September 1, 1905, in which Mr. Stockdell states that he had expended for the company \$31,720, and requested aid to meet his financial obligations. In a subsequent letter under date of September 14, 1905, Mr. Stockdell applies for an advance of \$35,000 on the security of his contingent commission, using the following language:

"I do not want you to consider the matter in the light of reimbursing me but rather to assist me by an advance of say \$35,000 which I could carry as a balance with the condition that I am to pay out of my contingent each year a certain amount until the whole amount is wiped out."

Nothing in the correspondence found indicates that the general agent informed the president that he was already indebted to the company, nor that the moneys expended were taken from the company's own funds and not from his personal funds, as expressed in the letter of September 1st. The request for the loan of \$35,000 was never granted. Further than the memorandum entry appearing in the ledger, no vouchers or other evidence appear to be in possession of the general agent to substantiate the *bona fide* character of his claim.

The indebtedness of \$54,377.68 grew out of agency balances collected by the general agent and never remitted to the home office. Under the terms of his contract, ninety days was allowed him in which to remit, and as the total shortage approximated no more than a single month's net writings, the general agent had no difficulty in withholding from the home office all knowledge of his indebtedness, especially in view of the fact that no examination or audit of the books and accounts of this general agency appears ever to have been made.

While the general agent's claim had been brought to the attention of the president as early as 1905, we are in possession of no information tending to show that the president or any other officer of the Phenix Insurance Company had any knowledge whatsoever

of the indebtedness prior to the year 1907, when Mr. Slaton called on the president, submitted the information and arranged for a settlement. This settlement was made in the form of an agreement signed by H. C. Stockdell, acknowledging his indebtedness to the company, accompanied by his demand note dated September 12, 1907, for \$54,377.68, and the following securities transferred to the company under the terms of the contract, as collateral to the payment thereof:

50 shares Battle Creek Coal & Coke Co. stock.

\$5,000 Battle Creek Coal & Coke Co. 6% bonds.

Bond to reconvey title to real estate located at 442 Peachtree street, Atlanta, Ga.

Bond to reconvey title to real estate located corner of Haynes and Foundry streets, Atlanta, Ga.

Warranty deed to the above described parcel.

Policy for \$5,000 on the life of H. C. Stockdell issued by the Mutual Life Insurance Company.

Policy for \$5,000 on the life of H. C. Stockdell issued by the Mutual Life Insurance Company.

Policy for \$5,000 on the life of H. C. Stockdell issued by the Mutual Life Insurance Company.

Policy for \$10,000 on the life of H. C. Stockdell issued by the Mutual Benefit Life Insurance Company.

Policy for \$5,000 on the life of H. C. Stockdell issued by the Penn Mutual Life Insurance Company.

We have credited the company with the sum of \$20,000 as the estimated value of the above assigned securities, and such credit appears in the foregoing financial statement.

CHICAGO GENERAL AGENCY

On May 14, 1900, Mr. Joseph H. Lenehan was appointed general agent of the company for the western and southern department, with offices at Chicago, Illinois. This department comprises the following States and Territories: Alaska, Arizona, Arkansas, British Columbia, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, West Virginia, Wisconsin and Wyoming, in which are located approximately 7,500 sub-agents reporting to and under the direct supervision of the general agent.

The general agent's contract provides for a fixed annual salary of \$10,000 and a contingent commission of 5 per cent. on the net yearly profits. The contingent commissions received by Mr. Lenehan under the terms of the contract are as follows:

For the year 1900	Paid in 1901	.....	\$6,184 96
" " " 1901	" " 1902	.....	6,170 60
" " " 1902	" " 1903	.....	16,053 54
" " " 1903	" " 1904	.....	16,320 21
" " " 1904	" " 1905	.....	24,400 95
" " " 1905	" " 1906	.....	21,721 38
" " " 1907	" " 1908	.....	33,032 45
" " " 1908	" " 1909	.....	14,140 86
Total			<u>\$138,024 95</u>

The foregoing schedule shows that Mr. Lenehan received a contingent commission for each year since he became general agent except 1906, in which year the agency suffered a severe loss owing to the California conflagration.

The net annual writings of this department have for some years approximated \$3,750,000. This amount includes the premiums written on farm risks. The farm business is written either for a cash premium, an installment note on which the first payment is made upon delivery of policy, or a single note, the latter maturing usually in the current year, the policy being generally written for a three or five-year term. In reporting to the home office, the unearned premium liability was computed on the basis of premiums paid only, no consideration being given to premiums on policies in force covered by unpaid installment and single premium notes. A correct return of the unearned premium liability on this business would increase the liability reported by approximately \$250,000. On the other hand, no credit was taken for the notes on which no liability was entered. In the financial statement included above in this report, we have credited the company with \$248,796.10, being the amount set forth as a liability on the same account, which is included in the total unearned premium liability appearing in said financial statement.

The credit set forth is less than the amount of the notes held, but inasmuch as the Insurance Law contains no specific provision for a credit of this character except on policies written within

three months, it was deemed proper to confine the credit to the amount of the liability, which in view of the particular nature of the business would seem to be the equitable course to pursue.

As reflecting upon the management of the western department, the following matter requires particular mention. At the time of the California conflagration in April, 1906, the company's sub-agency at San Francisco was in charge of Mr. A. C. Olds and Mr. F. W. Foulkes, the latter being Mr. Lenehan's son-in-law. Mr. Foulkes practically managed the office, Mr. Olds' duties being largely of an adjusting and underwriting character. From the manner in which the affairs of the company were conducted at this point following the conflagration, it is quite clear that Mr. Foulkes violated the trust imposed in him and plainly, by results obtained, indicated his marked unfitness. As a matter of course, when the conflagration occurred, there were some outstanding agency balances. In respect to the unpaid premiums on risks located in the burned district, it is patent that a considerable loss in collection was inevitable by reason of the inability of certain policyholders to pay the same, and particularly on account of the destruction of the records in the San Francisco office, which we are informed were almost totally destroyed, except the contents of one safe preserved in fair condition. The records saved were shipped to the Chicago office, but in some unexplained manner certain important books had disappeared, a search failing to produce same for our inspection. Our examination of the existing records of this office was, therefore, of necessity not fully satisfactory.

The company continued to write business through this office until near the close of the year 1906, when the office was practically closed and Mr. Foulkes transferred to Chicago and made associate manager of the local office. An examination of the records which were preserved and the record of business written subsequent to the conflagration, indicated that the company had lost through the mismanagement of Mr. Foulkes considerable sums of money which he was unable to explain or account for in a satisfactory manner. The unaccounted for balances amounted to the sum of \$56,129.42, subsequently increased through overlooked items, to \$56,988.92. While there is no doubt that a con-

siderable portion of this sum represented a *bona fide* loss by failure to collect, Mr. Foulkes' explanation and attempted audit failed to demonstrate that the entire amount was lost to the company through wholly legitimate means.

On January 5, 1907, an account was opened in the Chicago agency books under the title "Chicago No. 2," to which account the unpaid California balance was transferred and charged, the California account being credited therewith. This was wholly a fictitious account, which according to statements made by both General Agent Lenehan and Assistant General Agent Street was opened under directions received from Secretary Koster, the statement being also made by Messrs. Lenehan and Street that the secretary not only authorized, but personally directed the manner in which this should be done. Conclusive proof of the said statements made is extant in the form of a letter dated December 21, 1906, from Secretary Koster to General Agent Lenehan, outlining the manner in which the accounts should be adjusted and the balance transferred, to the end that the books would show the past due balances closed out, and the new account show the same amount as a balance for which the company might assume credit. Therefore, in accordance with the proposed plan this overdue balance of \$56,129.42 was reported by the Chicago agency to the home office in the monthly statements for December, 1906, January and February, 1907, as not more than three months past due, and assumably was entered as a valid asset in the company's annual statement to the department for the year ending December 31, 1906. This balance remained open on the books of the Chicago agency charged to "Chicago No. 2," until the closing of the books for the year 1908 (on January 8, 1909), when the said account was charged with \$859.50, representing overlooked additional California account items, making a total charge of \$56,988.92. On the same day the account was finally balanced through the following entries appearing in the agency journal:

Commissions	\$5, 150 29
Sundry expenses	10, 418 36
Return premiums	41, 407 47
Cash	12 80
Total	\$56, 988 92

The manipulation of the accounts as set forth above with the plain intent of creating a false credit is subject to severe criticism and reflects discreditably upon the officials who were parties to the transaction.

Notwithstanding Mr. Foulkes' record of mismanagement in California, and the consequent loss to the company entailed thereby, Mr. Lenehan appointed him in December, 1906, associate manager in the Chicago local office, which handles local business only and is not to be confounded with the main office of the general agency. That Mr. Foulkes was unworthy of the trust imposed in him, and an unfit man for the position, is clearly established by the fact that at various times while attached to the local office, and during a period in which he was temporarily again in California in 1908 adjusting losses, he used the company's funds for his personal benefit, amounting on January 1, 1909, to \$6,577.68, the deficit being made good by Mr. Lenehan's personal checks on April 12, 1909, for \$5,000, and on December 23, 1909, for \$1,577.68. Following these disclosures, Mr. Foulkes was assigned to the main office of the general agency, where he continued his reprehensible practices, becoming again involved by overdrawing his account to the extent of \$1,616.85, which Mr. Lenehan made good to the company by his personal check for the amount. While at Chicago for the purposes of this examination, an endeavor was made to interview Mr. Foulkes in the hope that a more complete explanation of matters pertaining to the San Francisco office might be forthcoming, but Mr. Foulkes at such time was not in the employ of the company and we were informed that he was ill and in a sanitarium.

Prior to his assignment to the San Francisco office, this employee had served the company in various capacities in the office of the Chicago general agency, and is reported to have displayed marked efficiency, inspiring confidence warranting his promotion to the position of accountant in the San Francisco office. His subsequent acts proved that the confidence was misplaced.

The manner in which the business and affairs of the San Francisco office were conducted by Mr. Foulkes, both before and after the conflagration, indicates a want of proper supervision on the part of the general agent.

Through the Chicago general agency, more than one-half of the total business of the Phenix Insurance Company is written. During the past ten years under the direction of General Agent Lenehan and Assistant General Agent Street, the company has maintained throughout the entire western territory an enviable position and the confidence of the insuring public. The irregularities concerning the San Francisco office and in connection with Mr. Foulkes are forceful examples of the effect of misplaced confidence. At the same time no excuse can be offered for the continuation of Mr. Foulkes in the employ of the company after the general agent had become apprised of the results of his work in California; nor can there be presented any justification for the improper entries made on the books and the returns made to the home office, even though certain consideration may be given to the fact that such entries and returns were made under the direct orders and supervision of an officer of the company. Correspondence indicates that the action taken had received the approval of the president, and both Mr. Lenehan and Mr. Street are strong in their insistence that the orders received from the executive officers of the company justified the handling of the accounts in the manner noted.

The State of California being included in the territory of the Chicago general agency, the losses incident to the conflagration were adjusted through said agency and largely paid by checks drawn on the Crocker bank in San Francisco, the account there being made good by drafts drawn on the company at the New York office. However, to provide for losses not settled by check on the Crocker bank, the "Special Account" (hereinbefore particularly described) was opened in November, 1906, and by special arrangement with the president losses were met by drafts drawn directly on the company in New York. Mr. Lenehan testifies that this arrangement was made consequent on his impressing upon the president the advisability of providing funds to dispose of the remaining unpaid losses. His further testimony is to the effect that the losses would be taken care of legitimately, but that the president was averse to showing to the public the heavy loss experience in California, and that the arrangement made would successfully meet his views without the concealment of the true

liability for outstanding losses. As to the manner in which the drafts were met on being presented at the New York office, Mr. Lenehan testifies that he has no knowledge.

OFFICERS AND SALARIES PAID

The following is a list of the officers and principal employees of the Phenix Insurance Company at date of this examination, showing the amounts of salary and other compensation received by them annually:

President	Geo. P. Sheldon.....	\$25,000 00
Vice-President	Geo. Ingraham	15,000 00
Secretary	Chas. F. Koster.....	12,000 00
General Agent at Chicago....	J. F. Lenehan.....	10,000 00
		and 5% contingent com.
Assistant General Agent at		
Chicago	C. R. Street.....	6,000 00
General Agent at Atlanta...	H. C. Stockdell.....	6,000 00
		and 7½% contingent com.
Assistant General Agent at		
Atlanta	J. F. Stockdell.....	4,800 00
General Agent at New York..	A. N. Stewart.....	6,000 00
Assistant General Agent at		
New York	J. T. Ryan.....	5,000 00
Assistant General Agent at		
New York	W. A. Stoney.....	4,500 00

REORGANIZATION OF THE COMPANY

Following the first disclosures affecting the company and your appearance before the board of directors at which, in view of such disclosures, you called on the board to take action for the removal of the president, George P. Sheldon was removed from the office of president on December 6, 1909. On the same day Messrs. Koster and Cartledge resigned as directors, Mr. E. W. T. Gray being elected a director in place of Mr. Koster, and Mr. Henry Evans in place of Mr. Cartledge. Thereupon, Mr. Gray was elected president of the company and Mr. Evans was appointed chairman of the executive committee. At a meeting of the board of directors held on December 9, 1909, the resignations of Vice-President Ingraham and Secretary Koster were asked for, and accepted at a meeting of the board on December 10th, the day following, Mr. Ingraham also resigning as a director. At the

meeting of December 9th, Mr. David Rumsey was elected vice-president and secretary. At the meeting on December 10th, Mr. Henry E. Hess was elected vice-president and director.

At a subsequent meeting Director Hard resigned, and on December 25, 1909, a further vacancy occurred in the board on the death of Mr. Sheldon, which two vacancies were filled by the election of Warren L. Green and Albert H. Wiggin.

Thereafter no further changes took place in the official staff or directorate of the company. On December 9, 1909, the board of directors adopted a resolution that a consolidation of the company with the Fidelity Fire Insurance Company of New York be duly authorized and sanctioned, such consolidated company to be known as the Fidelity-Phenix Fire Insurance Company. The merger of the two corporations was duly effected on March 1, 1910, the merger company beginning business with a capital of \$2,500,000, aggregate assets of \$13,806,165.12, and a surplus approximating \$2,200,000. Its official staff and board of directors are men of known ability and standing.

CONCLUSION

This examination was rendered unusually difficult because of the lapse of time since the company was last examined by the Department, and conspicuously so because of the involved condition of the books and accounts manipulated for the purpose of deceiving the Insurance Department and the board of directors, and as proven in this investigation for the further purpose of continuing without detection the wrongful abstraction of the company's funds by the president. By reason of this condition of the books and the death of the president and the former secretaries, the greatest difficulty was met with in arriving satisfactorily at the truth concerning many of the important matters which have been set forth in this report. Even though the Phenix Insurance Company is one of the largest insurance companies incorporated under the laws of this State, had its financial condition alone been the subject of this investigation, an examination of its affairs could have been made in much less time than it has taken under the circumstances. For the purposes of this report it was considered unnecessary to make a thorough audit of the books for

the period of twenty-two years elapsing since the date of the last examination, and no attempt has been made to do this. However, an exhaustive examination was made of the company's present condition and to a less extent of its condition at the close of the years 1906, 1907 and 1908, besides a particular investigation into many transactions as far back as the early years of Mr. Sheldon's connection with the company as its president. To serve the purposes of concealment, the books were confused by entries of the most intricate character, which required the exercise of much time and labor to unravel. In obtaining the needful information we examined under oath various officers and employees of the company, besides the representatives of several banking institutions and brokerage firms with which the company transacted business, the testimony so taken serving the excellent purpose of supplying important information not otherwise obtainable.

The general agencies of the company at Atlanta and Chicago, reporting simply monthly totals to the home office, necessitated an investigation of the books and records at these two points, more especially so for the reason that practically two-thirds of the entire business is written through said agencies. On conclusion of the examination of these two offices and on return to New York, it was found necessary to procure certain additional data, which with the time occupied by your special investigation regarding legislative expenditures, in which the books, records and vouchers belonging to the company and to Mr. Sheldon were particularly valuable, together with other matters of importance, delayed completion of this report.

While the conduct of certain subordinate officials and employees of the company in respect to many transactions is open to the most severe criticisms and condemnation, it is pertinent to state that the dominating influence of its president, which brooked no interference and accepted no opposing suggestion, is conspicuous in practically every important transaction of the company during the period of his control. This fact stands out most emphatically and may be considered a mitigating circumstance in measuring the culpability attachable to such officers and employees. Concerning Secretary Koster in particular, it may be

but fair to state that he served the company in different capacities for more than twenty-six years, and that his promotions and final advancement to the position of secretary were mainly due to the influence of the president, the sense of such obligation, and the forceful character of Mr. Sheldon combined with the confidence imposed in him and the frequent promises made that the irregularities would cease, constraining the secretary to acts which under other conditions and in other environments might not have been committed. It may be further stated that in many ways he rendered much assistance in the general course of this examination, both before and since he severed his connection with the company.

Assisting on the examination were Examiners Elmer, Martin, Nangle and Woodman.

Respectfully submitted,
DANIEL F. GORDON,
Chief Examiner Fire Insurance Companies
ISAAC FULD,
Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Daniel F. Gordon, being duly sworn, deposes and says that the foregoing report, subscribed by him, being an amendment of the same report subscribed and sworn to by him on the 4th day of June, 1910, is true to the best of his knowledge and belief.

DANIEL F. GORDON

Subscribed and sworn to before me
this 23d day of June, 1910.

(L. S.) KATE F. CAHILL,
Notary Public, New York County.

STATE OF NEW YORK, }
COUNTY OF NEW YORK, } ss.:

Isaac Fuld, being duly sworn, deposes and says that the foregoing report, subscribed by him, being an amendment of the same

report subscribed and sworn to by him on the 4th day of June, 1910, is true to the best of his knowledge and belief.

ISAAC FULD.

Subscribed and sworn to before me

this 27th day of June, 1910.

(I. S.)

KATE F. CAHILL,

Notary Public, New York County.

EXHIBIT A

Containing a list of the directors and members of the executive, finance and accounts committees from 1889 to date of reorganization and merger.

Directors

Name	From	To
Sheldon, George P.....	April 1, 1889	Dec. 25, 1909
Graves, A. B.....	April 1, 1889	April 1, 1895
Corbin, Austin	April 1, 1889	Dec. 9, 1889
Knowlton, E. F.....	April 1, 1889	1898
Kendall, W. B.....	April 1, 1889	Dec. 9, 1889
Bolan, A. K.....	April 1, 1889	June 25, 1905
Maxwell, H. W.....	April 1, 1889	Dec. 9, 1889
Crowell, S.	April 1, 1889	Nov. 25, 1889
Slocum, H. W.....	April 1, 1889	1894
Bergen, G. W.....	April 1, 1889	Nov. 3, 1900
Stedwell, A.	April 1, 1889	April 9, 1894
Wallace, W. H.....	April 1, 1889	April 2, 1906
Logan, William J.....	April 1, 1889	Reorganization
Phelps, C.	April 1, 1889	1891
Latham, J. H.....	April 1, 1889	April 6, 1903
Powell, D. B.....	April 1, 1889	Sept. 17, 1904
Campbell, Felix	April 1, 1889	Nov. 8, 1902
Male, W. H.....	April 1, 1889	Nov. 23, 1906
Howard, S. E.....	April 1, 1889	April 6, 1896
Cartledge, John	April 1, 1889	Dec. 6, 1909
Hard, G. M.....	April 1, 1889	Jan. 10, 1910
Ingraham, G.	April 1, 1889	Dec. 10, 1909
Rice, E. T.....	April 1, 1889	April 7, 1902
Thomas, W. M.....	April 1, 1889	April 7, 1890
Beale, W. P.....	April 1, 1889	Sept. 23, 1904
Brega, C. W.....	April 1, 1889	May 8, 1893
Southwell, H. E.....	April 1, 1889	Jan. 18, 1897
Hammond, W. A.....	April 1, 1889	April 5, 1897
Shaw, Philander	Dec. 9, 1889	April 7, 1899
Little, Charles L.....	April 6, 1896	April 24, 1897

Name	From	To
Wood, Thomas R.....	Oct. 10, 1904	Sept. 15, 1905
Converse, E. C.....	Nov. 13, 1905	Reorganization
Logan, Frank J.....	Oct. 9, 1905	"
Koster, Charles F.....	April 2, 1906	Dec. 6, 1909
Greenhut, B. J.....	Jan. 14, 1907	Reorganization
Gray, E. W. T.....	Dec. 6, 1909	"
Evans, Henry	Dec. 6, 1909	"
Hess, Henry E.....	Oct. 10, 1909	"
Wiggin, Albert H.....	Jan. 10, 1910	"
Green, Warren L.....	Jan. 10, 1910	"

Executive Committee

Maxwell, Henry W.....	April 8, 1889	Dec. 9, 1889
Bolan, Albion K.....	April 8, 1889	June 25, 1905
Wallace, William H.....	April 8, 1889	April 2, 1906
Phelps, Charles	April 8, 1889	1891
Campbell, Felix	April 8, 1889	Nov. 8; 1902
Slocum, Henry W.....	Feb. 10, 1890	1894
Beale, William P.....	Feb. 9, 1891	Sept. 23, 1904
Logan, William J.....	May 14, 1894	Reorganization
Male, William H.....	April 6, 1903	Nov. 23, 1906
Wood, Thomas R.....	April 10, 1905	Sept. 15, 1905
Cartledge, John	April 9, 1906	Dec. 6, 1909
Converse, E. C.....	Nov. 13, 1905	Reorganization
Logan, Frank J.....	Nov. 13, 1905	"
Greenhut, B. J.....	April 8, 1907	"
Evans, Henry	Dec. 6, 1909	"

Finance Committee

Knowlton, Edwin F.....	April 8, 1889	1898
Male, William H.....	April 8, 1889	Nov. 23, 1906
Corbin, Austin	April 8, 1889	Dec. 9, 1889
Kendall, William B.....	April 8, 1889	Dec. 9, 1889
Powell, David B.....	April 8, 1889	Sept. 17, 1904
Latham, John H.....	Feb. 10, 1890	April 6, 1903
Howard, Samuel E.....	Feb. 10, 1890	April 6, 1896
Bergen, G. W.....	April 13, 1896	April 11, 1898
Cartledge, J.	{ April 11, 1898	April 13, 1903
	{ April 9, 1906	Dec. 6, 1909
Campbell, Felix	April 10, 1899	Nov. 8, 1902
Beale, William P.....	April 13, 1903	Sept. 23, 1904
Wallace, William H.....	April 13, 1903	April 2, 1906
Bolan, Albion K.....	April 13, 1903	June 25, 1905
Wood, Thomas R.....	Dec. 12, 1904	Sept. 15, 1905
Logan, William J.....	April 10, 1905	Reorganization
Converse, E. C.....	Nov. 13, 1905	"
Hard, George M.....	April 9, 1906	Jan. 10, 1910
Greenhut, B. J.....	April 8, 1907	Reorganization
Evans, Henry	Dec. 16, 1909	"

Accounts Committee

Name	From	To
Logan, William J.....	April 8, 1889	Reorganization
Hard, George M.....	April 8, 1889	Jan. 10, 1910
Beale, William P.....	{ April 8, 1889	Feb. 9, 1891
	{ Dec. 10, 1900	Sept. 23, 1904
Cartledge, John.....	{ April 8, 1889	April 11, 1898
	{ April 13, 1903	Dec. 6, 1909
Slocum, Henry W.....	April 8, 1889	April 14, 1890
Bergen, George W.....	{ April 14, 1890	April 13, 1896
	{ April 11, 1898	Nov. 3, 1900
Rice, Edwin T.....	Feb. 9, 1891	April 8, 1901
Bolan, Albion K.....	April 13, 1896	June 25, 1905
Wallace, William H.....	April 8, 1901	April 11, 1904
Male, William H.....	April 10, 1905	Nov. 23, 1906
Logan, Frank J.....	Nov. 13, 1905	Reorganization
Greenhut, B. J.....	April 8, 1907	"
Hess, Henry E.....	Dec. 16, 1909	"

EXHIBIT B

Containing a list of collateral loans made to officers or directors of the company and employees of the State Insurance Department.

Borrower	Date of loan	Amount	Description of collateral	Date of payment	Amount
Geo. P. Sheldon, President of Phenix Insurance Company	Oct. 13, 1892.	\$20,500 00	\$20,000 Council Bluffs City Water Works 6½ bonds, 35 shares Sherman Bank of N. Y.....	Oct. 28, 1892.	\$20,500 00
Geo. P. Sheldon, President of Phenix Insurance Company	June 24, 1893.	10,000 00	600 shares pfd. stock Council Bluffs City Water Works.....	Aug. 31, 1893.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Oct. 2, 1893	30,000 00	\$45,000 Council Bluffs City Water Works 5½ bonds.....	Oct. 23, 1893.	30,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Dec. 1, 1893.	25,000 00	\$40,000 Council Bluffs City Water Works 5½ bonds.....	Dec. 30, 1893.	25,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Dec. 11, 1893.	10,000 00	600 shares Council Bluffs City Water Works pfd stock.....	Dec. 30, 1893.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Jan. 11, 1894.	30,000 00	\$40,000 Council Bluffs City Water Works 5½ bonds.....	Jan. 31, 1894.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Jan. 13, 1894.	10,000 00	600 shrs. Council Bluffs City Water Works pfd.	Jan. 31, 1894.	30,000 00

EXHIBIT B—Continued.

Borrower	Date of loan	Amount	Description of collateral	Date of payment	Amount
Geo. P. Sheldon, President of Phenix Insurance Company	Feb. 3, 1894.	\$10,000 00	600 shrs. Council Bluffs City Water Works pfd.	Feb. 28, 1894.	\$30,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Feb. 5, 1894.	30,000 00	\$40,000 Council Bluffs City Water Works con 5% bonds.....	June 30, 1894.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	July 3, 1894.	10,000 00	600 shrs. Council Bluffs City Water Works pfd.	Aug. 10, 1894.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Dec. 27, 1894.	10,000 00	\$8,000 Council Bluffs City Water Works 5% bonds; 400 shrs. Council Bluffs City Water Works pfd stock	Dec. 31, 1894.	10,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Dec. 28, 1906.	36,900 00	\$46,000 Council Bluffs City Water Works bonds	Dec. 31, 1906.	36,900 00
Geo. P. Sheldon, President of Phenix Insurance Company	April 23, 1907.	30,000 00	\$46,000 Council Bluffs City Water Works bonds	April 24, 1907.	30,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	May 28, 1907.	20,000 00	\$46,000 Council Bluffs City Water Works bonds	Dec. 31, 1907.	35,000 00
Geo. P. Sheldon, President of Phenix Insurance Company	Oct. 23, 1907.	15,000 00			
Additional loans appearing under caption "Special Account"		89,280 68	Sundry	Various	89,280 68
					<u>\$356,690 68</u>

Chas. F. Koster, Secretary of Phenix Insurance Company	May 16, 1900.	8,200 00	50 shrs. Manhattan Ry Co, 50 shrs. Amer Cotton Oil Co com, 50 shrs. So Pacific Co.....	June 30, 1900.	8,200 00
Chas. F. Koster, Secretary of Phenix Insurance Company	Aug. 19, 1907.	7,500 00	50 shrs. U. S. Steel, 50 shrs. Amal Copper.....	Nov. 30, 1907.	2,400 00
			6 shrs. Nat'l City, 25 shrs. Interboro Met Co pfd, 100 shrs. Balt & Ohio R R Co com.....	Dec. 27, 1907.	5,000 00
Additional loans appearing under caption "Special Account"		22,500 00	Sundry	Various	22,500 00
		<u>\$38,200 00</u>			<u>\$38,200 00</u>
James F. Pierce, Superintendent of Insurance	July 28, 1893.	\$10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	Aug. 31, 1893.	\$10,000 00
James F. Pierce, Superintendent of Insurance	Dec. 11, 1893.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	Dec. 30, 1893.	10,000 00
James F. Pierce, Superintendent of Insurance	Jan. 20, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	Jan. 31, 1894.	10,000 00
James F. Pierce, Superintendent of Insurance	Feb. 3, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	Feb. 28, 1894.	10,000 00

EXHIBIT B—Continued.

Borrower	Date of loan	Amount	Description of collateral	Date of payment	Amount
James F. Pierce, Superintendent of Insurance	March 1, 1894.	\$10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	March 31, 1894.	\$10,000 00
James F. Pierce, Superintendent of Insurance	April 2, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	April 30, 1894.	10,000 00
James F. Pierce, Superintendent of Insurance	May 3, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	May 31, 1894.	10,000 00
James F. Pierce, Superintendent of Insurance	June 1, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	June 30, 1894.	10,000 00
James F. Pierce, Superintendent of Insurance	July 3, 1894.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	Dec. 31, 1894.	10,000 00
James F. Pierce, Superintendent of Insurance	Jan. 15, 1895.	10,000 00	150 shrs. Hecker Jones Jewell Milling Co, 100 shrs. N Y & N J Ice Lines Company	June 13, 1895.	10,000 00
James F. Pierce, Superintendent of Insurance	June 13, 1895.	22,500 00	150 shrs. Hecker Jones Jewell Milling Co	June 29, 1895.	22,500 00

James F. Pierce, Superintendent of Insurance	July	16, 1895.	29,500 00	100 shrs. N Y & N J Ice Lines Co..	Dec.	31, 1895.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	31, 1896.	29,500 00	45 shrs. Cons Gas Co of Baltimore.	June	30, 1896.	29,500 00
James F. Pierce, Superintendent of Insurance	July	10, 1896.	29,500 00	85 shrs. Amer Dist Tel Co, Bklyn.	Dec.	31, 1896.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	28, 1897.	29,500 00	25 shrs. N Y Mutual Tel Co.....	June	30, 1897.	29,500 00
James F. Pierce, Superintendent of Insurance	July	13, 1897.	29,500 00	25 shrs. N Y Mutual Tel Co.....	Dec.	31, 1897.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	17, 1898.	29,500 00	25 shrs. N Y Mutual Tel Co.....	June	30, 1898.	29,500 00
James F. Pierce, Superintendent of Insurance	July	26, 1898.	29,500 00	25 shrs. N Y Mutual Tel Co.....	Dec.	31, 1898.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	16, 1899	29,500 00	25 shrs. N Y Mutual Tel Co.....	June	30, 1899.	29,500 00
James F. Pierce, Superintendent of Insurance	July	18, 1899.	29,500 00	25 shrs. N Y Mutual Tel Co.....	Dec.	30, 1899.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	24, 1900.	29,500 00	25 shrs. N Y Mutual Tel Co.....	June	30, 1900.	29,500 00
James F. Pierce, Superintendent of Insurance	July	19, 1900.	29,500 00	25 shrs. N Y Mutual Tel Co.....	Dec.	31, 1900.	29,500 00
James F. Pierce, Superintendent of Insurance	Jan.	25, 1901.	29,500 00	25 shrs. N Y Mutual Tel Co.....	June	29, 1901.	29,500 00

EXHIBIT B—*Concluded.*

Borrower	Date of loan	Amount	Description of collateral	Date of payment	Amount
James F. Pierce, Superintendent of Insurance	Aug. 7, 1901.	\$29,500 00	25 shrs. N Y Mutual Tel Co.....	Dec. 31, 1901.	\$29,500 00
James F. Pierce, Superintendent of Insurance	Jan. 28, 1902.	29,500 00			
		<u>\$542,500 00</u>			<u>\$513,000 00</u>
			Charged to counsel fees.....	June 30, 1902.	15,000 00
			Charged to Profit and Loss Account Dec. 31, 1902, and paid by his estate and Profit and Loss Account credited	Jan. 8, 1903.	14,500 00
					<u>*\$542,500 00</u>
Robt. H. Hunter, First Deputy Superintendent of Insurance	April 15, 1901.	\$11,362 50	1000 shrs. Amalgamated Copper Co.		
Robt. H. Hunter, First Deputy Superintendent of Insurance	April 18, 1901.	23,565 77	100 shrs. Cons Gas Co.		
Robt. H. Hunter, First Deputy Superintendent of Insurance	Oct. 7, 1901.	21,262 50	100 shrs. Cons Gas Co.	Nov. 22, 1901.	\$22,188 27
Robt. H. Hunter, First Deputy Superintendent of Insurance	Sept. 16, 1903.	1,350 00	9 shrs. Cons Gas Co.	March 31, 1902.	2 50
Robt. H. Hunter, First Deputy Superintendent of Insurance	June 30, 1904.	2,500 00	2500 Cons Gas Co 6½ bonds.	June 27, 1904.	150 00
		<u>\$60,040 77</u>		July 7, 1905.	150 00
				March 20, 1906.	75 00
				July 14, 1906.	75 00
				Oct. 15, 1906.	4,400 00
				Oct. 30, 1906.	33,000 00
					<u>\$60,040 77</u>

*The total indebtedness at any one time on this loan account, aside from the interest, did not exceed \$29,500, the entries above as taken from the books showing payments and subsequent loans, being made apparently for the purpose of withholding from the department knowledge of the loan made to this official.

Wm. H. Buckley, Third Deputy Superintendent of Insurance	Feb.	16, 1900.	\$13,000 00	100 shrs. International Banking & Trust Co.					
Wm. H. Buckley, Third Deputy Superintendent of Insurance	Dec.	19, 1900.	35,000 00	{ 12 shrs. Municipal Gas Co. Albany 100 shrs. Kings Co. Elec Light & Power Co. 312 shrs. Elec Storage Battery Co.	Dec. Oct.	31, 1900. 26, 1901.	\$13,000 00 3,233 86		
Wm. H. Buckley, Third Deputy Superintendent of Insurance	Jan.	29, 1901.	13,000 00	66 shrs. N American Trust Company	Oct. April	29, 1901. 22, 1909.	9,766 14 14,247 50		
			<u>\$61,000 00</u>		April	28, 1909.	20,752 50		
							<u>\$61,000 00</u>		
Isaac Vanderpoel, Chief Examiner	May	25, 1899.	\$3,000 00	20 shrs. Western Nat'l Bank					
Isaac Vanderpoel, Chief Examiner	June	13, 1899.	2,500 00	15 shrs. Trust Company of America					
Isaac Vanderpoel, Chief Examiner	June	30, 1899.	8,500 00	10 shrs. Trust Co of Am., 35 shrs. West. Nat'l Bank					
Isaac Vanderpoel, Chief Examiner	July	18, 1899.	6,800 00	20 shrs. West. Nat'l Bank					
Isaac Vanderpoel, Chief Examiner	Aug.	31, 1899.	32,000 00	20 shrs. Central Trust Co.		Aug.	31, 1899.	\$10,800 00	
Isaac Vanderpoel, Chief Examiner	Oct.	26, 1899.	19,000 00	10 shrs. Central Trust Co.		Sept.	7, 1899.	4,500 00	
Isaac Vanderpoel, Chief Examiner	Jan.	24, 1900.	8,400 00	(Assumed loan of Willard Brown on 69 shrs. N. American Tr Co.)		Dec.	30, 1899.	*64,900 00	
Isaac Vanderpoel, Chief Examiner	Jan.	24, 1900.	64,900 00			April	13, 1900.	42,000 00	
Isaac Vanderpoel, Chief Examiner	April	19, 1900.	4,500 00	25 shrs Tr Co of Amer.		April	19, 1900.	22,900 00	
Isaac Vanderpoel, Chief Examiner	Dec.	11, 1902.	\$30,449 45	150 shrs. Cons Gas Co.		April	26, 1901.	4,500 00	
						Dec.	31, 1902.	\$449 45	

EXHIBIT B—*Concluded.*

Borrower	Date of loan	Amount	Description of collateral	Date of payment	Amount
Isaac Vanderpoel, Chief Examiner	Sept. 16, 1903.	2,025 00	13½ shra. Cons Gas Co.	March 17, 1903.	300 00
Isaac Vanderpoel, Chief Examiner	Sept. 30, 1903.	85 00	Acct of subscriptions of ½ sh Nat'l City Bank	June 17, 1903.	300, 00
Isaac Vanderpoel, Chief Examiner	June 30, 1904.	4,000 00	\$4000 Cons Gas Co 6½ conv deb bonds	June 27, 1904.	10 00
				Nov. 15, 1904.	35,500 00
		<u>\$186, 159 45</u>			<u>\$186, 159 45</u>

* The payment on December 30, 1899, of \$64,900.00 is probably only an entry on the books of the company, so as not to have the loan appear in the company's annual statement for the year ending December 31, 1899, such amount being charged again as a loan on January 24, 1900. This loan at any one time did not exceed the sum of \$64,900.00.

EXHIBIT C

AGREEMENT, made December 26, 1906, between the undersigned holders of stock of Phenix Insurance Company, a New York corporation, to the amounts set opposite their respective names below (hereinafter called the "Borrowers"), parties of the first part, Bankers' Trust Company, a New York corporation (hereinafter called the "Trust Company"), party of the second part, and Fisk & Robinson, of New York city, a co-partnership (hereinafter called the "Managers"), parties of the third part:

Whereas, The borrowers are subscribers for the aggregate of four thousand (4,000) shares of stock of the Phenix Insurance Company, a New York corporation, of the par value of fifty dollars (\$50) a share in the several amounts respectively below set opposite their names, which subscriptions are for 300 per cent. of said par value, or one hundred and fifty dollars (\$150) per share, and in order to complete their respective subscriptions, desire to borrow from the Trust Company 75 per cent. of the amount of such subscriptions, or in the aggregate, four hundred and fifty thousand dollars (\$450,000) the remaining 25 per cent., or one hundred and fifty thousand dollars (\$150,000), having been paid by them upon making such subscriptions; and

Whereas, The borrowers desire so to borrow and to become severally liable for such loan in proportion to their said stock interest and in the amounts hereinafter set opposite their names, and severally desire to pledge their respective holdings of such stock as collateral security for such loans; and

Whereas, The borrowers have appointed the managers their agents for the purpose of selling such stock upon the terms hereinafter set out; and

Whereas, The Trust Company is willing to lend the aforesaid amount in accordance with the terms of this agreement,

Now, therefore, this agreement witnesseth: That pursuant to the premises and in consideration of one dollar by each to the other in hand paid, receipt of which is acknowledged, and the mutual agreements herein, the parties have agreed for themselves, their several heirs, representatives, successors and assigns, as follows:

1. At the time of the delivery of this agreement, duly executed, to the Trust Company, the borrowers will deposit with the Trust Company certificates for the number of shares of stock of said Phenix Insurance Company below set opposite their respective names. Said certificates shall all either be properly endorsed in negotiable form, or be accompanied by detached transfers, likewise properly signed, so that all of said certificates shall be capable of immediate delivery to any purchaser or purchasers.

It is understood that the Trust Company and the managers make no representations with respect to the issue, payment or disposal of any of said stock, it being intended that the Trust Company shall receive said stock from the borrowers hereunder in the form in which the same is turned over to it, and the borrowers hereby undertake that all of said stock so deposited with the Trust Company is properly issued and full paid. At the same time the borrowers will also deliver to and deposit with the Trust Company irrevocable dividend orders, addressed to said Phenix Insurance Company, to the end that all dividends payable upon said stock deposited hereunder shall be paid to the Trust Company and disposed of as hereinafter provided, and said dividend orders shall remain in effect until the

repayment of the loan to be made, as hereinafter prescribed, except with respect to the stock which may be delivered to the managers as hereinafter set forth.

And the borrowers further agree that they will execute and deliver to the Trust Company, at any time hereafter during the continuance of this agreement, such other and further written directions with respect to the payment of said dividends as may be necessary to enable the Trust Company to collect said dividends, and apply the same in the payment of said loan hereunder.

2. The Trust Company will lend to the borrowers the sum of four hundred and fifty thousand dollars (\$450,000), and pay the same on the order of the borrowers upon the execution and delivery of this agreement to said Trust Company and the deposit of such stock and said dividend orders with said company.

3. The borrowers hereby severally promise and agree to pay to the Trust Company, or its order, seventy-five (75) per cent. of the amounts below set opposite their respective names on June 30, 1907, with interest at the rate of six per cent. per annum, which principal amounts aggregate the said sum of four hundred and fifty thousand dollars (\$450,000). *Provided, however*, that if the amount of said loan shall have been reduced by the application of payments as below provided, the amount to be paid by each of the borrowers on said date, shall be thereby proportionately reduced, interest to be computed and paid by the borrowers upon unpaid balances.

4. The borrowers hereby agree that all of said stock deposited hereunder shall be held by the Trust Company as collateral security for the payment of the said loan, and any extension or renewal thereof, and upon the non-performance of this agreement in any respect, or the nonpayment of any liabilities hereunder, the Trust Company shall have full power and authority to sell, assign and deliver the whole or any part of such stock at public or private sale, or at any broker's board or exchange, at the option of the Trust Company, or any of the officers thereof, without demand, advertisement or notice of any kind, which are hereby expressly waived. The borrowers agree to be and remain liable to the Trust Company for any deficiency on their respective obligations.

5. The managers, who may also be borrowers hereunder, are authorized by the borrowers to sell and dispose of any or all of said stock at a price not less than one hundred and fifty dollars (\$150) per share, without deduction for any commission, costs or expenses.

6. From time to time the managers may, by making a payment to the Trust Company of proceeds received for the sale of any of said stock at said price, be entitled to receive from the Trust Company a certificate representing the number of shares thus paid for, and the Trust Company is hereby authorized and created the agent and attorney of the borrowers, irrevocable, to cause such transfers of said stock, to be made as may be necessary for the purpose of making deliveries to the managers, or their nominees, for stock thus paid for, which the Trust Company agrees to do.

7. All stock transfer taxes shall be paid by the managers upon making application for the delivery of any stock thus paid for, and all proceeds of the sale of such stock must be deposited with said Trust Company, without any deduction therefor, the managers to have recourse to the borrowers for

all compensation to themselves, and expenses, which compensation the borrowers hereby agree to pay or provide.

8. Stock delivered thus by the Trust Company shall be regarded as having been delivered by all of the borrowers from their holdings pro rata according to their deposits hereunder, irrespective of the particular certificates which may be used by the Trust Company, and the Trust Company shall be under no obligation to distinguish between the specific deposits made by any of the borrowers hereunder.

9. The Trust Company shall credit and apply on account of said loan all amounts received by it, out of such dividends or purchase price, as above provided, and shall thereby reduce the obligations of the respective borrowers pro rata.

10. Upon the full payment of said loan, either through the means of such dividends or proceeds of sales, or otherwise, with interest and all expenses incurred by it, the Trust Company shall deliver to the respective borrowers, or upon their order, such shares of stock as may remain in its hands in the proportion of their respective interests hereunder, and if it is impossible to meet the exact proportions, the borrowers shall, among themselves, first adjust the fractional interests and so notify the Trust Company, before it shall be required to deliver any of such stock.

It is further agreed that upon the full payment of said loan, with interest and all expenses incurred by it, the Trust Company shall deliver to the respective borrowers, upon their order, such moneys as may remain in its hands in the proportion of the respective interests of the borrowers hereunder.

In witness whereof, the parties have executed this agreement the day and year first above written.

Borrowers

NAME	No. of shares	Amount subscribed
E. C. Converse.....	660	\$99,000
Geo. P. Sheldon.....	430	64,500
W. J. Logan.....	440	66,000
B. F. Tracy.....	350	52,500
Frank J. Logan.....	220	33,000
F. S. Male.....	200	30,000
Jno. Cartledge	200	30,000
L. C. Lathrop.....	300	45,000
F. B. Tilghman.....	100	15,000
Sidell Tilghman, by F. B. Tilghman, Atty.....	100	15,000
Fisk & Robinson.....	400	60,000
Isaac D. Fletcher.....	200	30,000
J. B. Greenhut.....	400	60,000

BANKERS' TRUST COMPANY,

By *Benj. Strong, Jr.*, Sec.

FISK & ROBINSON, *Managers.*

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 27, 1910

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Pursuant to the terms of your appointment No. 2373, hereto annexed, I would respectfully report that I have made an examination into the affairs of the Buffalo Life Insurance Company of Buffalo, N. Y., on its application to withdraw all securities deposited with the Insurance Department for the protection of its policyholders.

I find that its condition on May 20, 1910, was as follows:

ASSETS	
Cash in bank.....	\$3,358 89
Bond in office, par value.....	500 00
Bond deposited with Insurance Department, par value.....	5,000 00
	<hr/>
	\$8,858 89
LIABILITIES	
<i>Other than to stockholders</i>	
Miscellaneous small items.....	9 33
	<hr/>

This company was examined July 28, 1909, by the department on its application to withdraw its securities, and the report of that examination made by Examiner W. B. B. Smith, showed liabilities other than capital stock to the amount of \$19,355.55, one claimant for \$15,000 signing a deposition consenting to the withdrawal of the securities. August 10, 1909, \$100,000 of the bonds were released and \$5,000 retained by the department, the amount which it now desires to withdraw.

The financial transactions from July 28, 1909 to May 20, 1910, were as follows:

Cash in bank as per report.....	\$2,455 39
RECEIPTS	
Net proceeds of sale of bonds released as above.....	91,881 94
Interest on deposit.....	192 50
	<hr/>
	\$94,530 43

DISBURSEMENTS

Payment of bill for legal services of attorney of the company	\$15,000 00	
Settlement of Stender claim.....	650 00	
Legal services, In re Stender claim.....	150 00	
Other expenses " "	64 20	
Miscellaneous expenses	68 79	
Traveling expenses to Albany, etc.....	100 00	
Printing copies of examiner's report for all stockholders	40 00	
Settlement of Lander's claim (assignee of Tuck).	98 55	
Paid to stockholders.....	75,000 00	
		<hr/>
Total disbursements		\$91,171 54
		<hr/>
Cash in bank May 20, 1910, as per certificate.....		\$3,358 89
		<hr/>

Stockholders

There were at the last report forty-five stockholders of record holding twelve hundred shares, the remaining eight hundred shares being owned and held by the company and belonging to the stockholders in proportion to their holdings. All of the original capital of \$100,000 and surplus of \$50,000 was subscribed and furnished by the holders of the 1,200 shares, each share being sold for \$125. The 800 shares were issued to C. E. Channell, the promoter of the company, in consideration of his copyrighted policies and have been assigned by him to the company. Since the last report, eight of the stockholders have assigned their shares to C. H. Wood, leaving the following as the present stockholders of the company:

<i>Name</i>	<i>Residence</i>	<i>Shares</i>
A. J. Chestnut.....	Buffalo, N. Y.....	24
C. G. Sutliff.....	Lockport, N. Y.....	3
Eva W. Sutliff.....	" "	2
W. R. Smith.....	Buffalo, N. Y.....	25
George N. Pierce.....	" "	5
Gilbert C. Brown.....	Newark, N. J.....	120
Laban W. Demis.....	" "	20
S. P. Franchot Estate.....	Niagara Falls, N. Y.....	5
Francis H. Salt.....	" " "	5
George W. Tuttle.....	" " "	5
A. L. Swett.....	Medina, N. Y.....	5
W. B. Robbins.....	" "	5

<i>Name</i>	<i>Residence</i>	<i>Shares</i>
Perry Church.....	Albion, N. Y.....	10
Hiram K. Watson.....	Buffalo, N. Y.....	5
Charles F. Benzing.....	" ".....	5
Safford E. North.....	Batavia, N. Y.....	5
Allen J. Hastings.....	Olean, N. Y.....	5
C. L. Ingham.....	Buffalo, N. Y.....	10
E. C. Lufkin.....	" ".....	5
Oliver Cabana, Jr.....	" ".....	5
John Illingworth.....	New York, N. Y.....	40
George V. Aschenbach.....	East Orange, N. J.....	10
J. J. Siegrist.....	Buffalo, N. Y.....	20
Edwin R. Smith.....	" ".....	20
Francis E. Froncyak.....	" ".....	5
Horace F. Taylor.....	" ".....	200
John Parmenton.....	" ".....	15
F. S. McGraw.....	" ".....	5
William J. Forsythe.....	" ".....	10
H. G. Wotzinger.....	" ".....	6
W. H. Andrew.....	" ".....	5
E. L. Koons.....	" ".....	6
R. B. Lyman.....	" ".....	6
Charles A. Donaldson.....	" ".....	6
H. D. Williams.....	" ".....	6
Albert F. Smith.....	" ".....	10
C. H. Wood.....	" ".....	550
		<hr/> 1,200 <hr/>

Dividend

August 27, 1909, the holders of shares of stock were paid a dividend of fifty per cent on the original investment for capital and surplus at the rate of \$62.50 per share.

The money was disbursed by means of voucher checks, and the various amounts were checked by me, each agreeing with the number of shares held as by the above table, except that the dividend for thirty shares was paid to Newton R. Luther and for forty shares to Emily Davis, the former shareholders who had assigned their shares to C. H. Wood.

Disposal of Liabilities

The liabilities set up at the last examination have all been met, except one item which was carried by the examiner at \$257. This was a suit against the company maintained by C. E. Channell for

sundry small items. The company holds a release from the said Channell which by its date covers all of these items save one. The suit was moved for trial November 17, 1909. Counsel for the plaintiff asked for an adjournment of two days, stipulating in open court that in the event of nonappearance November 19th, he would consent to a dismissal of the suit. The suit was so dismissed November 19th, 1909, with costs, and there has been no reopening of the same up to the date of this examination. The affidavit of H. D. Williams, attorney for the company, is filed herewith and made a part of this report covering in detail the disposition of each liability noted in the last report, and it is your examiner's belief that there are now no outstanding liabilities of the company, other than to the holders of stock therein, and that the deposit still held by the Insurance Department may be released with safety.

Respectfully submitted,

GEO. E. TALMAGE,

Examiner

STATE OF NEW YORK
CITY AND COUNTY OF NEW YORK } ss.:

George E. Talmage, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

GEORGE E. TALMAGE

Subscribed and sworn to before me
this 27th day of May, 1910.

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, May 31, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under your appointment No. 2214, dated July 21, 1909, and annexed hereto, we have made an examination into the

condition and affairs of the foreign business of the Mutual Life Insurance Company of New York in France, Germany and Great Britain and Ireland.

The assets of the company in those countries on December 31, 1908, were as follows:

FRANCE	
Real estate	\$1,215,900 00
Bank balances	44,882 97
GERMANY	
Mortgage loan	149,840 00
Bank balances	12,678 84
Bonds (par value)	6,775,233 00
GREAT BRITAIN AND IRELAND	
Real estate	1,095,750 00
Bank balances	50,860 27
Policy loans	1,845,035 90

Real Estate

The real estate in Paris, France, owned by the company consists of a plot of land bounded by the Boulevard des Italiens, Rue Louis Le Grand, Rue Hanovre and Rue de la Michodiere, on which there are eleven (11) distinct buildings. This property was acquired by the company during the years 1899 to 1901 with the intention of tearing down the old buildings and erecting a modern office building. The company transacts no new business in France and has abandoned the idea of erecting an office building in Paris. The actual cost to the company was \$2,287,065.81 and the market value carried into the annual statement for 1908 \$1,215,900. Although the location of this property is good the buildings are old and the net rental small compared with the original cost. The following figures show the gross rental, expenses and net rental for the last four years:

	1906	1907	1908	1909
Gross rental	\$54,649 30	\$51,068 40	\$55,782 60	\$68,008 20
Expenses	17,452 65	26,219 46	34,907 44	19,710 72
Net rental	37,196 65	24,848 94	20,875 16	48,297 48

This property was appraised for the company in 1906 by Mr. Louis Platet of Paris who submitted a report dated February 19,

1906. This report discusses the condition and value of the property in considerable detail and points out that the net rental value could be considerably increased if the buildings were put in much better condition and the offices leased for long terms. This, however, would make it more difficult to get a fair price for the property if an opportunity for selling it should arise, as the best value for the property would be obtained from a purchaser who desired to pull down the existing buildings and erect a new modern office building. From Mr. Platet's report and other information we obtained in Paris, it appears that the market value carried by the company is a fair one at this time, especially as the net income for 1909 represents about 3.97 per cent. on this value.

The real estate in London, England, owned by the company, consists of an office building, Nos. 17 and 18 Cornhill and Nos. 1 and 2 Pope's Head Alley. The building has six floors and basement and was on the land when the company acquired the property in 1898 and 1899. The company owns the freehold of the land with the exception of the back part which fronts 67 feet on Pope's Head Alley. The freehold of the Pope's Head Alley land is owned by the Merchants Tailors Company and leased to the Mutual Life Insurance Company for 99 years from 1898 at a ground rental of £500 per annum for the first five years and £800 per annum thereafter. The basement, ground floor and first floor of the building were practically rebuilt by the company in 1899.

The actual cost to the company of the property was \$1,322,331.03 and it was carried in the annual statement for 1908 at a market value of \$1,095,750. The gross rental for 1908 was \$52,498.61, the expenses \$18,279.19 and the net income \$34,219.42. The rental (included in gross rental) value of the space occupied by the company is given as \$38,960.03. The net rental is about 3.12 per cent., on the market value claimed by the company and this indicates that an appraisal of the property would probably reduce rather than increase the market value.

We personally inspected the buildings owned and loaned on by the company in Paris, Berlin and London.

In addition to the office buildings in Paris and London the company owns office buildings in foreign countries as follows:

Location	Cost	Market value carried
Sydney, Australia	\$1,059,802 77	\$535,700 00
Cape Town, South Africa.....	1,185,574 15	560,050 00
City of Mexico, Mexico.....	594,792 02	900,000 00

Mortgage Loan

The company has one mortgage loan for \$149,940 in Berlin, Germany, on an office building situated at the corner of Behrenstrasse and Markgrafenstrasse, originally owned by the company.

The loan of \$149,940 represents the unpaid balance of \$249,900, the price the company sold the property for. The cost to the company was \$306,211. This mortgage is deposited with the Königliche Seehandlung of Berlin for the protection of the German policyholders.

Bank Balances

The bank balances accounted for through the London office were reconciled with the books and by certificates from the banks. The amounts carried into the annual statement, being the balance in the banks on November 30, 1908, were as follows:

Bank of England, general account	\$16,824 65
Bank of England, special account	9,740 00
National Provincial Bank, general account	20,219 14
National Provincial Bank, special account	4,076 49
	<hr/>
	\$50,860 27

Policy Loans

The policy loans in the London office agreed with the list obtained by your examiners from the home office, but the total of this list is £167.15.7 or about \$817.09 less than the amount charged to the London office on the home office books. Part of this difference arises from the difference in the rates of exchange used in reporting loans at the time they were made and the rates used when they were paid off, and the balance probably from transfers of loans to and from the London office and other agencies. To locate this difference it would be necessary for all the lists of foreign loans to be checked against the records in the home office.

The total amount of policy loans in the London office on Novem-

ber 30, 1908, was \$1,845,035.90. All other foreign policy loans are handled through the home office of the company.

Deposits

In addition to the mortgage loan of \$149,940, the company had bonds deposited under the control of the various European Governments on December 31, 1908, as follows:

Country	Par value	Deposited with
Germany	\$905,233 00	Department for State Debts, Berlin.
Germany	5,870,000 00	Königliche Seehandlung, Berlin.
Austria	3,230,820 00	Imperial Royal Treasury, Vienna.
Italy	3,190,521 60	Superintendent of Finance, Genoa.
Spain	186,534 50	General Deposit Office, Madrid.
Sweden	31,655 00	Riksbank of Stockholm, Stockholm.

The company has no "offices of issue" in foreign countries, all policies being issued direct from the company's home office in New York. The foreign managers usually issue a binding receipt at the time an application is secured, thus insuring the applicant until he is accepted or declined by the home office.

The company has, in the past, written business in most European countries, but it now writes "new" business in Holland, Belgium, Hungary, Norway, Finland, Great Britain and Ireland, Sweden, Austria and Canada only. It also writes "new" business in South Africa, Cuba, Mexico and Australia.

Attached hereto is a schedule showing the number of policies and amount of insurance in force on December 31, 1908, in foreign countries including Canada. This schedule shows a total of 122,568 policies, the amount of insurance being \$271,325,411. The total insurance in force, including the United States, on December 31, 1908, amounted to \$1,438,399,803, and the number of policies to 639,746, so that the foreign business, including Canadian business, is about 18.86 per cent. of the total.

Respectfully submitted,

CHARLES HUGHES

JOSEPH H. WOODWARD

Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles Hughes and Joseph H. Woodward, being duly sworn, depose and say, that the foregoing report subscribed by them is true to the best of their knowledge and belief.

CHARLES HUGHES

JOSEPH H. WOODWARD

Subscribed and sworn to before me

this 7th day of June, 1910.

[L. S.] KATE F. CAHILL

Notary Public, New York County

EXHIBIT

Insurance in Force December 31, 1908

Agency	Policies	Amount
Holland	1,967	\$4,746,846 26
Germany	4,622	15,817,424 82
Bermuda	4	6,000 00
Belgium	2,655	10,077,186 71
Hungary	5,331	8,548,749 10
South Africa	3,699	10,222,697 24
Norway	2,815	1,868,045 30
Denmark	1,874	1,496,699 23
Italy	8,052	13,303,451 97
Cuba	1,071	2,721,466 00
Finland	1,654	1,428,870 49
Turkey	3,057	5,937,400 98
Great Britain and Ireland	22,008	59,105,336 73
Spain	2,081	3,391,383 12
Mexico	8,611	17,283,271 32
France	19,217	54,434,416 00
Porto Rico	122	216,863 00
Portugal	1,376	4,881,090 00
China	26	81,320 00
Sweden	5,844	3,930,641 66
Australia	4,455	9,730,855 61
Austria	7,065	13,161,697 78
Japan	209	258,033 00
Canada	14,753	28,675,635 00
Totals	122,568	\$271,325,411 32

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 1, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.—Acting under appointment No. 2377, dated May 24, 1910, and annexed hereto, I have completed an examination of the Commercial Union Fire Insurance Company of New York.

I find the condition on March 31, 1910, to have been as follows:

ASSETS

Book value of bonds and stocks (Exhibit A)	\$701,800 86
Cash in bank	3,873 96
Cash in office	11 08
Agents' balances and uncollected premiums:	
(a) Subsequent to January 1, 1910	127,319 22
(b) Prior to January 1, 1910	2,331 37
Reinsurance due on paid losses	755 72
	<hr/>
Ledger assets	\$836,092 27

Nonledger Assets

Interest accrued on bonds	9,035 79
	<hr/>
Gross assets	\$845,128 06

Deduct Assets Not Admitted

Agents' balances and uncollected premiums prior to January 1, 1910	\$2,331 37	
Book value of bonds and stocks over market value	37,048 86	
	<hr/>	39,380 23
Total admitted assets		<hr/> <hr/> \$805,747 83

LIABILITIES

Unpaid claims	\$73,010 54
Unearned premiums	281,698 14
Taxes due or accrued	2,500 00
Commissions	11,094 00
Return premiums	460 00
Reinsurance premiums	15,399 11
	<hr/>
Liabilities except capital	\$384,161 79

Capital	\$200,000 00	
Surplus	221,586 04	
		<hr/>
Surplus to policyholders		\$421,586 04
		<hr/>
Total liabilities		\$805,747 83
		<hr/> <hr/>

Attached to this report as Exhibit A is a schedule of the bonds and stocks owned on March 31, 1910.

Assets

The securities owned by the company were examined and counted and the cash in bank verified.

The item of agents' balances and uncollected premiums represents net amounts due from agents on all business written to February 28, 1910, and the gross amount of uncollected premiums for the month of March, 1910. The commission against these premiums appears as a separate item in the schedule of liabilities.

Liabilities

The company has reported in its quarterly statement of March 31, 1910, unpaid losses in the sum of \$55,927. Among these unpaid losses are eight remaining as a result of the San Francisco conflagration upon which the company has carried a liability amounting to 50 per cent. of the claim.

In view of the experience of this company in litigated cases arising from the conflagration, I have considered it advisable to report said losses at the full amount of the claim, viz., \$21,750, thereby increasing the unpaid loss liability in the sum of \$10,875.

The remaining unpaid losses were increased in the sum of \$6,208.54 as the result of information received subsequent to March 31, 1910, making a total increase of \$17,083.54 over the amount reported by the company and resulting in a total unpaid loss liability of \$73,010.54.

The company in its annual statement for the year ending December 31, 1909, has reported a "reserve for contingencies" of \$30,000. In the financial statement of this report I have eliminated this contingency reserve from the schedule of liabilities.

With an adjustment on account of this item and certain other

items of assets and liabilities, particularly the liability for unpaid losses as explained above, the surplus of the company is increased in the sum of \$7,698.77.

Officers and Salaries

A. H. Wray, President.....	No salary.
C. J. Holman, Vice-President and Secretary.....	\$2,500 per annum.
Wm. Ballard, Assistant Secretary.....	No salary.

Mr. Holman, in addition to the above-mentioned salary receives a contingent commission of 5 per cent. annually, computed on the net premiums less a percentage for losses equal to the average loss ratio of the company for the past three years and less the actual expenses of the last year. For the year ending December 31, 1909, this commission amounted to \$4,868.75.

Capital Stock

The capital stock of this company amounts to \$200,000 divided into 2,000 shares of the par value of \$100 each, of which the Commercial Union Assurance Company, Limited, of London, England, owns 1,925 shares. The president and secretary of the Commercial Union Fire Insurance Company of New York are connected in official capacities with the U. S. branch of the foreign corporation and the business and affairs of both concerns are conducted from the same office.

Associated with me on this examination were assistant examiners W. H. Nangle and John J. Cunningham.

Respectfully submitted,

R. A. ELMER

Examiner

STATE OF NEW YORK
COUNTY OF NEW YORK ss.:

Richard A. Elmer, being duly sworn, deposes and says, that the foregoing report subscribed by him is true to the best of his knowledge and belief.

R. A. ELMER

Subscribed and sworn to before me
this 2d day of June, 1910.

[L. s.] KATE F. CAHILL
Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 3, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.— Acting under appointment No. 2338, dated February 9, 1910, annexed hereto, we have made an examination of the American and Foreign Marine Insurance Company of New York.

The examination was made as of March 31, 1910, for the following purposes:

First. To verify an increase in the company's capital stock from \$200,000 to \$300,000.

Second. To ascertain the financial condition of the company as a result of said increase and to further ascertain whether the company has complied with all the requirements of sections 62, 63 and 64 of the Stock Corporation Law applying thereto.

Increase in Capital Stock

At a special meeting of the stockholders held on March 2, 1910, at the office of the company, Nos. 60 and 62 Beaver street, New York, it was resolved, in view of the unanimous consent of the stockholders of the company, to increase the capital stock from \$200,000 consisting of 2,000 shares, par value of \$100 each, to \$300,000 consisting of 3,000 shares, par value \$100 each, which resolution was unanimously adopted.

Annexed to this report is a certified copy of the proceedings of such meeting and all data relating thereto. Also annexed to this report is a schedule containing a description of all the assets owned by the company on the 15th day of March, 1910, comprising the increased capital of said company. There is further annexed to this report an affidavit of the president and secretary, to the effect that the sum of \$100,000, representing the increased capital of said company has been paid in in full, and that all requirements of the statute covering such increase have been complied with.

Financial Condition

A statement showing the income and disbursements from April 1, 1909, to March 31, 1910, and the assets and liabilities as of March 31, 1910, is herewith respectfully submitted.

INCOME

(From April 1, 1909, to March 31, 1910.)

Gross premiums	\$577,754 92	
Less return premiums.....	\$11,807 72	
Less reinsurance	343,587 21	
	<hr/>	355,394 93
Total premiums		\$222,359 99
Interest		26,120 29
Brokers' balances previously charged off.....		118 68
		<hr/>
Total income		\$248,598 90
Ledger assets March 31, 1909.....	\$742,212 03	
Increase in capital during the year.....	100,000 00	
	<hr/>	842,212 03
		<hr/>
Total		\$1,090,810 99

DISBURSEMENTS

(From April 1, 1909, to March 31, 1910.)

Gross losses paid.....	\$423,980 98	
Less salvage	\$99,651 98	
Less reinsurance	290,383 94	
	<hr/>	390,035 92
		<hr/>
Net amount paid for losses.....		\$33,945 06
Commissions on brokerage.....		13,738 61
Management expenses		37,546 84
Expenses		3,226 15
Taxes and fees.....		4,131 36
Directors' fees		410 00
Dividends		27,580 00
Treaty Company's balances March 31, 1909, paid.....		16,653 73
		<hr/>
Total disbursements		\$137,231 75
		<hr/>
Balance being ledger assets March 31, 1910.....		\$953,579 24

ASSETS

Book value of bonds.....	\$416,065 89	
Book value of stocks	443,283 28	
	<hr/>	\$859,349 17

Cash in bank	\$6,934 07
Branch office balance.....	8,155 25
Uncollected premiums on business written subsequent to January 1, 1910.....	13,640 90
Uncollected premiums on business written prior to January 1, 1910	5,294 22
Treaty Company's balances within 90 days due.....	43,481 43
Treaty Company's balances over 90 days due.....	16,724 20
Total ledger assets.....	\$953,579 24

Nonledger Assets.

Interest accrued	3,748 74
Due for reinsurance on losses paid.....	2,601 51
Gross assets	\$959,929 49

Deduct Assets Not Admitted

Uncollected premiums on business written prior to January 1, 1910.....	\$5,294 22
Treaty Company's balances over 90 days due..	16,724 20
Book value of bonds and stocks over market value	25,164 67
	<u>47,183 09</u>
Total admitted assets.....	\$912,746 40

LIABILITIES

Gross losses unpaid	\$61,743 35
Less reinsurance	3,858 56
Net amount unpaid losses.....	\$57,884 79
Gross premiums less reinsurance on time risk, \$62,091.47; unearned at 50 per cent.....	\$31,045 73
Gross premiums less reinsurance on trip risk, \$29,698.00; unearned at 100 per cent.....	29,698 09
Total unearned premiums.....	60,743 82
Miscellaneous expense due or accrued.....	\$200 00
Taxes due or accrued	5,188 00
Commissions	1,236 43
Return premiums	495 53
Reinsurance premiums	41,052 55
Treaty Company's balances.....	27,483 63
Federal corporation tax.....	404 34
	<u>76,060 48</u>
Total amount of liabilities except capital.....	\$194,689 09

Capital	\$300,000 00	
Surplus	418,057 31	
Surplus to policyholders		\$718,057 31
Total liabilities		<u>\$912,746 40</u>

The company was organized in the year 1896 and commenced business in February, 1897. At this time the British and Foreign Marine Insurance Company, Ltd., of Liverpool, England, owned 1,935 of the 2,000 shares of capital stock issued by the company. On the capital being increased from \$200,000 to \$300,000, the British and Foreign Marine Insurance Company purchased the entire issue, increasing its holdings to 2,935 shares. The directors and stockholders of said company are one and the same, and have always owned the remaining sixty-five shares in blocks of five shares each.

The American and Foreign Marine Insurance Company is closely associated with and under the same management as the United States Branch of the British and Foreign Marine Insurance Company, Ltd., of Liverpool, England, the Reliance Marine Insurance Company, Ltd., of Liverpool, England and the Ocean Marine Insurance Company, Ltd., of London, England, and there exist reinsurance contracts between all of said corporations. W. L. H. Simpson, President of the American and Foreign is also the manager and attorney for the three above mentioned foreign companies. The greater part of the premium income of this company is the result of reinsurance received from its associate companies. Registered mail and automobile insurance forms practically all of its direct premium income. The company cedes all but 30 per cent. of said premium income (excepting registered mail insurance) to the above mentioned associate companies. The remaining 30 per cent of direct premium income, together with the reinsurance acquired, is in turn reinsured to the extent of 66 $\frac{2}{3}$ per cent. with the British and Foreign Marine Insurance Company of Liverpool, England, through its Liverpool office. However, in this report credit has not been allowed for the reinsurance effected in the foreign corporations and this fact materially increases the liability items for unpaid losses and un-

earned premiums, resulting in a partial decrease of the surplus. In the company's annual statement filed with the department for the year ending December 31, 1909, the surplus is reported in the sum of \$482,045.11, but in the report of this examination covering the year ending March 31, 1910, or three months later, the surplus is reduced to \$418,057.31 or a difference of \$63,987.80.

The company has on deposit in Canada, U. S. 4 per cent. government bonds in the sum of \$25,000 par value registered in the name of the Receiver-General of Canada in trust. A certificate representing said deposit was obtained.

Annexed to this report is a schedule of the bonds and stocks owned by the company March 31, 1910, setting forth the book, par and market value of the same.

The officers of the American and Foreign Marine Insurance Co., are W. L. H. Simpson, president; W. A. W. Burnett, vice-president, and John E. Hoffman, secretary. These officials receive no compensation direct from this company, all operating and management expenses being assumed by the British and Foreign Marine Insurance Company, Ltd. (U. S. Branch), but said company reimburses the British and Foreign Marine Insurance Company for such expenses on a percentage basis.

Respectfully submitted,

CHARLES H. GARDNER

CHARLES E. WOODMAN

Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner and Charles E. Woodman, being duly sworn, depose and say that the foregoing report subscribed by them is true to the best of their knowledge and belief.

CHARLES H. GARDNER

CHARLES E. WOODMAN

Subscribed and sworn to before me

this 10th day of June, 1910.

[L. S.]

KATE F. CAHILL,

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 4, 1909

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under your appointment No. 2167, dated May 5, 1909, and hereto annexed, we have made an examination of the condition and affairs of the Catholic Women's Benevolent Legion of New York.

This examination was made for the purpose of verifying the annual statement and to ascertain its financial condition as of April 30, 1909.

ANNUAL STATEMENT

In checking the various items of income, disbursements, assets and liabilities as reported in the annual statement filed with the department for the year ending December 31, 1908, we find that the statement differs from the books of the society in several minor particulars due to clerical errors. The necessary corrections and comments are noted below.

INCOME

Line 20, page 2, under the heading "Gross rent from association's property, etc.," the society reported \$1,587 as being included "for association's occupancy of its own building." This amount should be changed to read \$650, leaving the total amount received for rent, \$1,587.

DISBURSEMENTS

"Advertising, Printing and Stationery"

Under line 24, page 3, this item was reported as \$1,550.68. Included in said sum were disbursements amounting to \$571.59 which had been made on account of official publication and should have been deducted and inserted under line 27, page 3.

NONLEDGER ASSETS

"Interest Accrued on Mortgages"

Under line 11, page 4, this item was reported as \$483.75. The society should have taken credit for \$962.90.

"Accrued Interest on Bonds"

Under line 12, page 4, this item was reported as \$114.59 when it should be \$208.33.

"Assessments actually collected by Subordinate Lodges not yet actually turned over to Supreme Lodge"

Under line 19, page 4, this item was reported as \$11,370.60. The proper credit was found to be \$12,203.30.

"Special Tax"

Under line 24, page 4, this item was reported as \$329.50 instead of \$355.

"Assets Not Admitted"

The monthly tax, \$6; social cards, \$3; benefit certificates, \$9.50; per capita tax, \$2,496.21; special tax, \$355; and charters and supplies, \$979.52 reported under page 4, lines 21, 22, 23, 24 and 25 should be deducted as "assets not admitted."

LIABILITIES

The examination disclosed that the sum of \$2,117.48 for legal services should have been included as a liability in the annual statement for the year ending December 31, 1908.

Condition of the Society on April 30, 1909

The following is a statement of the income and disbursements for the first four months of 1909 and the assets and liabilities on April 30, 1909:

INCOME

January 1 to April 30, 1909

Assessments	\$46,871 06
Per capita tax.....	4,874 06
All other assessments, dues or fees.....	180 00

Total paid by members.....	\$51,925 12
----------------------------	-------------

Interest	\$1,357 42
Rent	467 34
Official publication and supplies.....	975 44
From all other sources.....	257 95
Total income	\$54,983 27
Ledger assets December 31, 1908.....	257,363 93
Total	\$312,347. 20

DISBURSEMENTS

January 1 to April 30, 1909

Death claims	\$52,721 42
Salaries of officers.....	965 36
Salaries of office employees.....	816 14
Other compensation of officers and trustees.....	160 15
Rent	108 34
Traveling and other expenses of officers and committees.....	60 58
Expense of Supreme Lodge meeting.....	502 82
Insurance department fees.....	44 00
Premium on bonds.....	148 78
Rent safe deposit box.....	10 00
Official publication	132 67
Repairs on real estate.....	111 31
Legal expenses	2,306 67
Postage, express, telegraph and telephone.....	305 42
Stationery and printing.....	29 35
Office expenses	53 52
Total disbursements	\$58,476 53
Balance	\$253,870 67

LEDGER ASSETS

Book value of real estate.....	\$22,250 00
Mortgage loans	107,500 00
Book value of bonds owned.....	31,056 25
Deposited in trust companies and banks on interest	90,879 13
Deposited in trust companies and banks not on interest.....	1,771 11
Deposited in banks April 30, 1909, and credited on the bank book May 1, 1909.....	414 18
Total	\$253,870 67

NONLEDGER ASSETS

Interest due or accrued.....	\$2,184 03
Assessments actually collected, not yet received by supreme body	10,579 01

Per capita tax.....	\$615 25
Special tax	183 00
Charters and supplies.....	761 62

Gross assets	\$268,193 58
Deduct assets not admitted:	
Book value of bonds over market value.....	\$2,356 25
Per capita tax.....	615 25
Special tax	183 00
Charters and supplies	761 62
Total	3,916 12
Total admitted assets.....	\$264,277 46

LIABILITIES

Death claims due and unpaid.....	\$3,000 00
Death claims awaiting proofs	11,000 00
Death claims awaiting legal papers	2,500 00
Death claims resisted	1,000 00
Total	\$17,500 00
Legal expenses	3,061 21
Per diem on account, May, 1908, convention.....	1,149 00
Salaries, expenses, commissions, etc., due or accrued.....	544 11
Office expenses	384 60
Stationery and printing.....	205 65
Official publication	290 00
Medical examinations	12 26
Preparing new constitution.....	200 00
Benefit certificates (advance).....	6 50
Advance assessment	2 80
Total liabilities	\$23,346 13

FUNDS

The ledger assets of the society on April 30, 1909, were distributed as follows:

Reserve or benefit fund surplus.....	\$189,100 79
Mortuary or benefit fund.....	62,998 77
Expense or general fund.....	1,057 18
Real estate fund.....	711 13
One per cent. fund.....	2 80
Total	\$253,870 57

LEDGER ASSETS

Real Estate

The real estate owned by the society consists of a two-story and basement brown stone dwelling-house situated at 153 East 44th street, New York city. The parlor floor is occupied by the officers of the Supreme Council for business purposes and the other parts are rented to tenants.

No appraisal has ever been made by the department. In our statement of assets we have allowed it at the book value (\$22,500).

Deposited in Banks and Trust Companies

In checking this item we discovered that included in the amount was a certificate of deposit for one thousand (\$1,000) dollars which had been given to the United States Fidelity and Guaranty Company to indemnify said company against loss on a bond furnished by it in the matter of a litigated death claim which had been appealed. Said death claim was settled in January, 1908. On December 31, 1908, and at the date of this examination (April 30, 1909) the certificate of deposit was not in the possession of the society.

The United States Fidelity and Guaranty Company surrendered the certificate, which was exhibited to us and on May 28, 1909, it was deposited in the bank, and we have allowed it in our statement of assets.

LIABILITIES

Unpaid Death Claims

This item was checked with the death loss books and the liability on this account as of April 30, 1909, was found to be \$17,500.

An affidavit as to its accuracy was obtained from the secretary of the society and is hereto attached.

ORGANIZATION

The Catholic Women's Benevolent Legion was incorporated as a fraternal beneficiary society under the provisions of section

230, article VII of the Insurance Law, and a certificate of authority was issued by the department under date of August 23, 1895.

The following is a list of officers at present in control of its affairs:

President, Mrs. Margaret B. Hurley, 195 West avenue, Bridgeport, Ct.
 Secretary, Mrs. Sara E. Skelly, 153 E. 44th street, city.
 Treasurer, Mrs. Mary E. Haggerty, 153 E. 44th street, city.
 Vice-President, Mrs. Ellen L. Loughlin, 9 Albany street, city.
 Chancellor, Mrs. Catherine M. Fannon, 237 Carroll street, Brooklyn, N. Y.
 Orator, Miss Margaret M. Murphy, 658 Teasdale place, city.
 Marshal, Miss Mary C. Flanagan, 933 G street N. W., Washington.
 Guard, Miss Cecelia Yawman, 322 University avenue, Rochester.
 Finance Committee ... { Miss Ella Carey, 256 Baltic street, Brooklyn, N. Y.
 { Mrs. Margaret Mullady, 366 Warren st., B'klyn, N. Y.
 { Miss Cecelia Hartt, 357 Bedford avenue, B'klyn, N. Y.
 { Mrs. Margaret Cashman, 25 Richland street, Worcester, Mass.
 { Miss Francis Lavin, 853 Atwells avenue, Providence.
 { Mrs. M. E. Gibney, 361 E. 140th street, city.
 { Mrs. Catherine Rosch, 1 Summit avenue, White Plains, N. Y.
 Trustees ... { Mrs. Jennie Degnan, 119 Clinton avenue, Albany, N. Y.
 { Miss Catherine Frain, 219 Harrison street, Passaic, N. J.
 { Mrs. Mary Judd, 124 Parsons avenue, Flushing, L. I.
 { Miss Anna Carroll, 718 E. 18th street, Paterson, N. J.
 { Mrs. Elizabeth Callery, Broad street, Nanticoke, Pa.
 General Counsel, Mr. William D. McNulty, 141 Broadway, city.
 Supreme Medical Examiner, Dr. John G. Coyle, 226 E. 31st street, city.

MEMBERSHIP

The membership on April 30, 1909, was as follows:

	No.	Amount of certificate	Amount of insurance in force
1st grade	2,304	\$250 00	\$576,000 00
2d "	7,665	500 00	3,832,500 00
3d "	6,837	1,000 00	6,837,000 00
4th "	210	2,000 00	420,000 00
Total . . .	17,016	.....	\$11,665,500 00

CERTIFICATES

The legion issues certificates agreeing to pay a sum of money not exceeding the amount named in the certificates in the event of death of a member in good standing, and in addition agrees to

pay out of its benefit fund one-half of the face of the certificate should the member become permanently disabled from attending to her business or gaining a livelihood when she shall have arrived at the age of expectancy of life as determined by the table shown in the constitution and laws of the legion.

ASSESSMENTS

The society levies assessments on age at entry, on the level premium basis. Such assessments are due and payable by each member on the first day of each calendar month. Ninety (90) per cent. of each assessment is credited to the benefit or mortuary fund and ten (10) per cent. to the benefit fund surplus.

PER CAPITA TAX

The expenses of the Supreme Council are paid from revenue derived from charter fees, benefit certificates, sale of supplies and a per capita tax of seventy-two (72) cents payable quarterly on the 31st day of March, 30th day of June, 30th day of September and the 31st day of December in each year.

RATES

The officers of the society having become convinced that the present rates were inadequate consulted Mr. Miles M. Dawson and at a convention to be held in June, 1909, they propose to urge the adoption of a table of new rates prepared by him.

The following schedule shows the proposed new rates referred to above in comparison with the present rates.

An exhibit of the proposed new rates together with the proposed amendments to the by-laws pertaining thereto is filed with this report.

TABLE OF MONTHLY RATES PER \$1,000

Age	Proposed new rates	Present rate	Age	Proposed new rates	Present rate
17	\$0 96	\$0 60	37	1 74	1 12
18	99	60	38	1 81	1 16
19	1 02	60	39	1 88	1 20
20	1 05	60	40	1 95	1 24
21	1 08	60	41	2 04	1 28
22	1 11	60	42	2 12	1 32

Age	Proposed new rates	Present rate	Age	Proposed new rates	Present rate
23	1 15	60	43	2 21	1 36
24	1 19	60	44	2 30	1 40
25	1 22	60	45	2 40	1 44
26	1 25	68	46	2 50	1 48
27	1 28	72	47	2 61	1 52
28	1 31	76	48	2 73	1 56
29	1 35	80	49	2 85	1 60
30	1 39	84	50	2 98	1 68
31	1 43	88	51	3 12	1 76
32	1 47	92	52	3 27	1 84
33	1 52	96	53	3 41	1 92
34	1 57	1 00	54	3 58	2 00
35	1 63	1 04	55	3 76	2 00
36	1 68	1 08			

SUMMARY PROCEEDING

In June, 1908, a summary proceeding was brought in the Supreme Court of New York county under section 27 of the General Corporation Law by a member of the legion and president of one of its subordinate councils, to review an election of officers which took place in May, 1906, seeking to have such election annulled on the ground that it was not conducted as required by the laws applicable to this society. Also that a certain by-law or amendment to section 1, article 3, the election of certain additional life members of the Supreme Council and thirty-four administrative members elected in May, 1906, be annulled as illegal.

Under an order of the Supreme Court dated June 16, 1908, the matter was referred to a referee.

The report and opinion of the referee was filed with the court under date of February 18, 1909.

At a special term held by the justice on March 30, 1909, it was "Ordered, that the amendment to article III, section 1 of the Supreme Constitution of the Catholic Women's Benevolent Legion, adopted on May 13, 1906, be and the same hereby is in all respects annulled and declared void; and it is further

"Ordered, That the election at a meeting of the said Supreme Council held on May 13, 1906, of thirty-four additional members of said Supreme Council, to be known as administrative members, be and the same is hereby annulled and declared void; and said additional members so elected and any and all other persons

claiming membership in said Supreme Council of the Catholic Women's Benevolent Legion as incorporators, supreme chancellors or administrative members, be and they are hereby removed from membership in said Supreme Council, and that said persons so removed be and they are hereby restrained from acting in any manner as members of said Supreme Council; and it is further

"Ordered, That the petition of Ellen M. Joyce be and it hereby is in all other respects denied."

A copy of the referee's report and a copy of the order of the justice is filed with this report.

In this connection your attention is respectfully called to an opinion of the General Council of the Legion which is also filed with this report.

Respectfully submitted,

SETH C. McARTHUR

Examiner

WILBUR H. NANGLE

Assistant Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Seth C. McArthur, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

SETH C. McARTHUR

Subscribed and sworn to before me

this 5th day of June, 1909.

[SEAL] KATE F. CAHILL,

Notary Public, New York County

STATE OF NEW YORK }
COUNTY OF ALBANY } ss.:

Wilbur H. Nangle, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

WILBUR H. NANGLE

Subscribed and sworn to before me

this 5th day of June, 1909.

PHILIP FITZ SIMONS, JR.,

Notary Public, Albany County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 27, 1910

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.—In accordance with your appointment No. 2,359, dated April 11, 1910, annexed hereto, I have made an examination of the British and Foreign Marine Insurance Company, Limited, of Liverpool, England, United States Branch. The examination was made as of March 31, 1910.

A statement showing the income and disbursements from April 1, 1909, to March 31, 1910, and the assets and liabilities as of March 31, 1910, is herewith respectfully submitted.

INCOME

Gross premiums	\$2,506,722 31
Deduct reinsurance	\$1,501,610 76
Deduct return premiums.....	20,257 05
	<hr/> 1,521,867 81
Total premiums	\$984,854 50
Interest	41,789 16
Received from home office.....	571,221 57
Proportional expenses from treaty companies.....	77,507 76
Brokers' balances previously charged off.....	797 90
Increase by adjustment in book value of bonds.....	19 97
	<hr/>
Total income	\$1,676,190 85
Amount of ledger assets March 31, 1909.....	1,290,107 97
	<hr/>
Total	<u>\$2,966,298 82</u>

DISBURSEMENTS

Gross losses paid.....	\$1,668,281 95
Less salvage	\$268,136 44
Less reinsurance	984,871 68
	<hr/> 1,253,008 12
	<hr/>
Net amount paid for losses.....	\$415,273 83
Commissions or brokerage.....	178,919 05
Allowances for miscellaneous agency expenses.....	358 00
Salaries, fees, etc., of officers, directors, trustees and employees.....	68,193 27
Rents	6,750 00
Advertising	280 90

Printing and stationery	\$5,799 76
Postage, telegrams, telephone, express and cables.....	5,697 97
Legal expenses	458 02
Furniture and fixtures.....	114 75
Underwriters' boards and tariff associations.....	2,679 56
Inspections and surveys.....	400 80
State taxes on premiums.....	11,763 51
Insurance department licenses and fees.....	2,425 13
State and municipal licenses.....	1,308 81
Auditing	974 45
Traveling expenses	2,055 00
Miscellaneous expenses	5,361 00
Remittances to home office.....	868,254 46
Foreign policy fees.....	1,851 05
Collection fees on foreign reinsurance.....	757 99
Exchange	358 30
Brokers' balances charged off.....	2 50
Decrease by adjustment in book value of bonds.....	2,768 39

Total disbursements	\$1,580,806 50
Balance being ledger assets March 31, 1910.....	1,385,492 32
	<u>\$2,966,298 82</u>

ASSETS

Mortgage loans	\$17,000 00
Book value of bonds.....	\$848,703 76
Book value of stocks.....	164,380 01
	<u>1,013,083 77</u>
Cash in office.....	480 87
Cash in banks.....	17,847 69
Uncollected premiums on business written subsequent to January 1, 1910.....	249,257 96
Uncollected premiums on business written prior to January 1, 1910	46,093 84
Deposit with attorneys to meet losses.....	5,000 00
Accounts receivable	14,338 67
Agency balance, Mexico office.....	22,389 52
	<u>Total ledger assets</u>
	\$1,385,492 32

NON-LEDGER ASSETS

Interest accrued on bonds.....	9,453 33
Due for reinsurance on losses paid.....	29,874 17
	<u>Gross assets</u>
	\$1,424,819 82

DEDUCT ASSETS NOT ADMITTED

Mortgage loan	\$17,000 00
Uncollected premiums on business written prior to January 1, 1910.....	46,093 84

Accounts receivable over ninety days.....	\$696 51	
Deposit with attorneys to meet losses.....	5,000 00	
Book value of bonds and stocks over market value	23,744 77	
		<u>\$92,525 12</u>
Total admitted assets.....		\$1,332,294 70

LIABILITIES

Gross losses unpaid.....	\$430,625 48	
Less reinsurance	173,231 85	
		<u>257,393 63</u>
Net amount of unpaid losses.....		257,393 63
Gross premiums (less reinsurance) on time risks \$256,585.94, unearned at 50%.....	\$128,292 97	
Gross premiums (less reinsurance) on trip risks \$110,644.54, unearned at 100%.....	110,644 54	
		<u>238,937 51</u>
Total unearned premiums.....		238,937 51
Expenses due or accrued.....	2,602 91	
Taxes due or accrued.....	27,465 00	
Commissions	30,641 93	
Return premiums	22,414 35	
Reinsurance premiums	91,578 28	
Unclaimed checks long past due.....	340 96	
Federal corporation tax.....	2,356 81	
Accounts payable	119,393 11	
		<u>\$793,124 49</u>
Total amount of all liabilities.....		793,124 49
Surplus to policyholders.....		539,170 21
		<u>\$1,332,294 70</u>

The British and Foreign Marine Insurance Company, Limited, of Liverpool, England, was admitted to transact business in the State of New York through its United States branch on August 7, 1876. The company has associated with it the American and Foreign Marine Insurance Company of New York, and the United States branches of the Ocean Marine Insurance Company, Limited, of London, England, and the Reliance Marine Insurance Company, Limited, of Liverpool, England, being also the owner of practically the entire capital stock of the first named corporation.

The company retains 40 per cent. of its direct writings, the other 60 per cent. being reinsured with its associate companies, in accordance with reinsurance contracts existing between the

same. In turn these associate companies cede 40 per cent. of their direct writings to the British & Foreign Marine Insurance Company.

In the above list of assets appears a mortgage loan in the sum of \$17,000, which represents a mortgage on a parcel of real estate located in Portland, Oregon. The appraised value of said property as set forth by the company is claimed to be \$45,000. The mortgage papers in connection therewith are not procurable, being in the possession of the San Francisco managers of the company.

As no definite information is in hand which would clearly indicate that said mortgage stands in the name of the United States branch of the company, credit for same has been disallowed by a deduction of the item as included in assets not admitted.

The list of assets further includes a Mexico agency balance of \$22,389.52. This item represents the balance of said agency as of December 31, 1909, the books of the company showing no complete account as of March 31, 1910. It is considered that no material difference exists between the two dates in question, and therefore for the purposes of this report, the balance of December 31, 1909, has been entered as a credit.

The unearned premium liability as set forth in this report shows an increase over the amount carried by the company in the approximate sum of \$55,000. Such difference arises largely from the fact that the company through error failed to charge a liability on a railroad schedule in force, and through the methods used in keeping the accounts, did not include a charge for net writings appearing in the April accounts.

Separate departments are maintained by the company both at San Francisco, Cal. and Philadelphia, Penn. The statements furnished by the managers of these departments as of March 31, 1910, have been incorporated in this report. For the purpose of this examination, the figures from the San Francisco department have been accepted, no verification thereof being possible except by a particular examination at San Francisco. The figures of the Philadelphia department have been personally examined and corrections made as found necessary.

The British & Foreign Marine Insurance Company had on deposit in the United States, March 31, 1910, securities in the sum

of \$849,100, par value. Of this amount \$305,000 was deposited with the Insurance Department of the State of Massachusetts; \$212,000 with the New York State Insurance Department; and \$100,000 with the Ohio Insurance Department. There was also \$232,100 on deposit with the Central Trust Company of New York, United States trustees of said company. Certificates were obtained in verification of the Massachusetts and Ohio deposits. The securities with the Central Trust Company were counted and a certificate obtained therefrom to the effect that said securities were in its possession on March 31, 1910. In addition to the above amount the company had securities in the sum of \$69,000, par value, in the possession of Balfour, Guthrie & Company, managers of its San Francisco department, but subsequent to the date of this examination said securities were transferred to the Central Trust Company of New York, United States trustees aforesaid. Annexed to this report is a schedule of the bonds and stocks owned by the company March 31, 1910, setting forth the book, par and market value of the same.

W. L. H. Simpson, the manager of this company, receives a yearly compensation in the sum of \$10,000, and in addition a contingent which varies each year according to the earnings of the preceding years, but approximating \$5,000 per annum.

J. E. Hoffman, the secretary, receives a yearly salary in the sum of \$4,500.

Examiner Woodman assisted in making the examination.

Respectfully submitted,

CHARLES H. GARDNER

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Charles H. Gardner, being duly sworn, deposes and says, that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

CHARLES H. GARDNER

Subscribed and sworn to before me,
this 28th day of June, 1910.

[L. S.]

KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, June 28, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Whereas, I, the undersigned, a disinterested person, specially appointed for the purpose by the Superintendent of Insurance, having in pursuance of appointment No. 2422, hereto annexed, bearing date June 28, 1910, calling for a verification of the capital statement of the Compagnie D'Assurances Generales Contre L'Incendie (General Fire Assurance Company), of Paris, France, duly made an examination of said company on its application for authorization to transact the business of fire insurance in this State,

Now, therefore, I do hereby certify and report under oath as the result of such examination, the following:

The aforementioned capital statement sets forth that there is deposited with the Insurance Department of the State of New York, two hundred and one thousand dollars (\$201,000), par value four per cent. bonds of the City of New York, due 1959, in trust for the Compagnie D'Assurances Generales Contre L'Incendie (General Fire Assurance Company), of Paris, France, for the protection of its policyholders in the United States;

And, further, that there is held by Mr. Samuel McRoberts and Mr. James Nichols, trustees of the said Compagnie D'Assurances Generales Contre L'Incendie, the following securities in the total par value of three hundred and twenty-five thousand dollars (\$325,000), viz.:

\$110,000 00 Southern Pacific 1st refunding 4% bonds, due 1955.

56,000 00 Chicago, Burlington & Quincy, Ill., Division, 3½% bonds, due 1949.

51,000 00 Union Pacific 1st lien and refunding 4% bonds, due 2008.

108,000 00 Baltimore & Ohio prior lien 3½% bonds, due 1925.

The total market value of the above-mentioned securities, both on deposit and held by the trustees, is set forth in said capital statement as five hundred thousand and seven hundred dollars

(\$500,700), which sum represents the capital of said company under the provisions of section 27 of the Insurance Law.

I have made an examination and personal count of the various securities held by the trustees, and your certificate covering the securities deposited with the Insurance Department of the State of New York, and therefore certify the company to be in possession of the same, and the par and market values thereof are in accordance with schedule included in said capital statement.

No verification was made of the liabilities reported, amounting to \$3,083.79.

Attached to the aforementioned capital statement is the affidavit of Edward Meinel, of and for the firm of Fred S. James & Company, United States managers, relative to such liability.

In witness whereof, I have subscribed my name this 28th day of June, A. D., 1910.

ISAAC FULD

Examiner

STATE OF NEW YORK
CITY & COUNTY OF NEW YORK } ss.:

On this 28th day of June, A. D., 1910, before me came Isaac Fuld, the examiner above named, who being by me duly sworn, did depose and say, that he has no interest in the said Compagnie D'Assurances Generales Contre L'Incendie (General Fire Insurance Company) of Paris, France, and that the foregoing certificate by him subscribed, is true.

ISAAC FULD

Subscribed and sworn to before me
this 28th day of June, 1910.

[L. s.] KATE F. CAHILL

Notary Public, New York County

STATE OF NEW YORK

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, *July 6, 1910.*

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under appointment No. 2382 dated June 16, 1910, and annexed hereto, I have completed the examination of

the National Lumber Insurance Company of Buffalo, N. Y. I find the condition on May 31, 1910, to have been as follows:

LEDGER ASSETS	
Bonds and stocks (book value).....	\$249, 21 39
Cash in bank	116, 515 72
Cash in office.....	77 36
Agents' balances:	
Subsequent to March 1, 1910.....	56, 249 48
Prior to March 1, 1910.....	5, 049 39
Due from reinsuring companies.....	1, 300 17
Total ledger assets.....	\$428, 513 51

NONLEDGER ASSETS	
Interest accrued on bonds	1, 154 25
" " " bank deposits	425 58
Gross assets	\$430, 093 34

DEDUCT ASSETS NOT ADMITTED	
Book value of bonds over market value.....	\$18, 243 19
Agents' balances prior to March 1, 1910.....	5, 049 39
Due from unadmitted companies.....	769 40
	<u>24, 061 98</u>
Total admitted assets.....	\$406, 031 36

LIABILITIES	
Unpaid losses	\$35, 195 42
Unearned premiums, one year.....	123, 378 58
" " term	3, 318 16
Accrued salaries and miscellaneous expenses.....	300 00
Taxes due or accrued.....	325 89
Reinsurance premiums	3, 967 17
Liabilities, except capital.....	\$166, 485 22
Capital	\$200, 000 00
Surplus	39, 546 14
Surplus to policyholders.....	239, 546 14
Total liabilities	\$406, 031 36

Attached to this report as exhibit A is a schedule of the bonds and stocks owned on May 31, 1910.

Assets

The securities were examined and checked and the bank deposits verified by means of bank certificates. On May 31, 1910, the agents' balances over ninety days amounting to \$5,049.39 have been deducted as a nonadmitted asset. Of this amount, however, \$4,017.61 had been received by the company during the month of June.

Liabilities

In view of the increasing business of this company, the unearned premium fund based on a 50 per cent. average would have been insufficient to properly provide for this liability. This item has therefore been computed on a semi-monthly basis which resulted in a total reserve liability of \$126,696.74.

Had a 50 per cent. average been used the unearned premium fund would have amounted to the sum of \$114,388.40.

Officers and Salaries

Morris S. Tremaine, president, \$5,000 per annum.

G. B. Montgomery, vice-president, no salary.

William P. Haines, secretary, \$3,000 per annum.

Associated with me on this examination was assistant examiner Christian Rebman, Jr.

Respectfully submitted,

RICHARD A. ELMER

Examiner

STATE OF NEW YORK }
COUNTY OF NEW YORK. } ss.:

Richard A. Elmer, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

RICHARD A. ELMER.

Subscribed and sworn to before me
this 6th day of July, 1910.

[L. s.]

KATE F. CAHILL,

Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK, *July 6, 1910.*

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.—Pursuant to your appointment dated June 2, 1910, naming the undersigned, Edwards P. Ward, Special Deputy Superintendent of Insurance, as your agent to take and retain possession of the property of the Hudson Horse Insurance Company of New York, and to conduct its business until the further order of the court, I respectfully report as follows:

I. That immediately upon receipt of the above described appointment, I served upon Joseph D. Dixon, president and secretary of the Hudson Horse Insurance Company, at the office of such company at 1234 Myrtle avenue, borough of Brooklyn, New York city, a certified copy of the order of the Supreme Court made and entered the 31st day of May 1910, authorizing the Superintendent of Insurance to take and retain possession of and conduct the business of said company, and exhibited to him my appointment as your agent aforesaid, and then and thereafter took possession of the books, records and property of said company at its home office at No. 1234 Myrtle avenue, borough of Brooklyn, New York city, and at its Manhattan office at No. 320 Broadway, borough of Manhattan, New York city.

II. That thereafter I made an examination of the books of account and the records of said company and of its correspondence, files and papers, for the purpose of ascertaining its financial condition; that I found such books and records in deplorable condition; that no entries had apparently been made in any of the books of the company subsequent to the month of February, 1910; that the policy register and other records purporting to show the company's risks and the extent of its business contained no entries after the month of February, 1910; that the miscellaneous papers and correspondence belonging to the company were found scattered about its Manhattan office, mingled with the personal papers and letters of its counsel and superintendent, and that when finally brought together, it was apparent that a consider-

able portion thereof was missing and unaccounted for; that under these conditions it has been difficult to ascertain the total liabilities with which the company is chargeable, and that the same are probably in excess of the liabilities as set forth below.

III. That upon examination of the available books, records and papers of said company, I find the company's income and disbursements since the 5th day of March, 1910, when last examined by the Insurance Department, to the 2d day of June, 1910, and the company's financial condition on the last mentioned date to have been as follows:

Income and Disbursements

On deposit March 5, 1910, as per examiner's report dated		
April 13, 1910.....		\$258 01
INCOME		
(As shown in company's books).....		nil
DISBURSEMENTS		
(As per check vouchers and oral statement of officers.)		
1910.		
March 15. Frederick B. Zwickert (salary)....	\$10 00	
" 21. Frederick B. Zwickert (salary)....	10 00	
" 21. Jos. D. Dixon (repayment of advances)	200 00	
" 26. Frederick B. Zwickert (salary)....	10 00	
April 2. Frederick B. Zwickert (salary)....	10 00	
" 14. Joseph D. Dixon (repayment of advances)	18 00	
		258 00
Balance (as per bank book).....		\$0 01

Assets and Liabilities

(As of June 2, 1910.)

ASSETS	
Balance in Williamsburg Trust Company.....	\$0 01
LIABILITIES	
Unpaid policy claims, net, after deducting assessments already levied and deferred premiums (see schedule following)	\$2,783 11
Bills and accounts accrued (see schedule following).....	237 13
	\$3,020 24
Excess of liabilities over assets.....	\$3,020 23

Schedule of Unpaid Losses

Name	Policy number	Date of loss	Amount of claim	Assessments unpaid	Net claim
In judgment:					
M. Katz	89	12/19/09	\$116 95	.....	\$116 95
Admitted:					
H. Goldstein	293	1/11/10	100 00	\$11 00	89 00
F. Molnari	40	1/23/10	100 00	5 00	95 00
M. Goldberg	301	1/17/10	100 00	11 00	89 00
C. Evert	384	1/25/10	100 00	.....	100 00
J. Sterling	229	2/24/10	100 00	5 00	95 00
H. Moore & Son....	182	1/22/10	150 00	.....	.....
“ “	210	2/ 8/10	200 00	.....	.....
“ “	203	2/17/10	200 00	.....	.....
“ “	207	2/26/10	200 00	.....	.....
“ “	200	3/ 3/10	150 00	.....	.....
“ “	217	3/12/10	150 00	.....	.....
			\$1,050 00	505 59	544 41
S. Wachatinsky	271	1/ 3/10	150 00	.....	.....
“	282	3/ 7/10	175 00	.....	.....
			\$325 00	187 50	137 50
A. Hirschhorn	246	2/11/10	75 00	63 75	11 25
Contested:					
M. Luckman	234	12/27/09	175 00	50 00	125 00
P. J. Sniffen	87	12/14/09	200 00	20 00	180 00
Not entered in loss book:					
A. Garone	464	4/ 9/10	300 00	.....	300 00
A. Kanter	447	3/15/10	100 00	.....	100 00
J. B. Levine	467	3/16/10	250 00	.....	.....
“	469	3/16/10	250 00	.....	.....
			\$500 00	.....	500 00
Empire House Wreck- ing Co.	463	5/ 6/10	300 00	.....	300 00
Totals .....	.....	.....	\$3,641 95	\$858 84	\$2,783 11

Schedule of Miscellaneous Bills

Rosenthal & Sterling, veterinary bills and charges.....	\$63 73
Sonnenberg Bros., printing.....	10 65
New York Telephone Company.....	7 78
Trachtenberg Co., printing.....	19 00
F. E. Mainhart, rent.....	27 39

W. S. Kirschner, salary	\$8 58
Mitchell & Jacobson, accountants	100 00
	<hr/>
	\$237 13
	<hr/>

IV. That the Hudson Horse Insurance Company was formed in September, 1909, under article VIII of the Insurance Law of the State of New York, for the purpose of insuring the lives of domestic animals upon the co-operative or assessment plan of insurance; that its plan of business, as shown by the amended by-laws and the policy forms adopted, was the issuance of insurance policies upon a fixed premium rate, with the provision that extra assessments should be levied and collected in the event of excessive losses; that at the first meeting of its board of directors, four of such directors were elected as officers of the company and were voted annual salaries of \$780 each; that the remaining fifth director subsequently resigned and that his successor was thereafter paid at the rate of an annual salary of \$520 per year; that agents of the company were allowed commissions of upwards of 30 per cent. of premiums collected; that at least two of the aforesaid directors drew commissions as well as salaries; and that in the face of the foregoing relatively excessive operating expenses, no reserve or mortuary fund was provided or maintained for the protection of policyholders, the original by-laws having been early amended to strike out the requirement that such a fund be so maintained.

V. That the inevitable result of transacting its business under the conditions above stated was an early accumulation of losses which the company was unable to pay out of its fixed premium receipts and the consequent necessity of extra assessments; that two extra assessments have been levied up to this time, the last thereof on February 1, 1910, and the practical effect of which was the collection of a small proportion only of the total sum levied upon policyholders, and the lapse of a large proportion of the company's business then in force, by reason of nonpayment of such assessment; that shortly after the levying of the extra assessment of February 1, 1910, and in the month of March, 1910, the company was examined by the examiners of the In-

insurance Department, pursuant to statute, and a report of its condition made and filed, showing that as of the date of March 5, 1910, its liabilities exceeded its assets in the amount of \$2,343.90.

VI. That subsequent to the aforesaid examination and up to the time of the entry of the order of May 31, 1910, authorizing the Superintendent of Insurance to take possession of said company and to conduct its business, its officers have flagrantly neglected their duties, have apparently made no endeavor to keep official records of business transacted or to enter such business upon its books, or to file or preserve its papers or to otherwise conserve the company's affairs; that notwithstanding such omission and neglect and the aforesaid excess of liabilities over assets, and the total lack of means to pay any losses incurred, sufficient papers and correspondence have been discovered to indicate that the company's business has been continued during a part of such period, that its agents have been permitted to continue soliciting insurance and accepting applications, and that although some premiums have been collected, the same have been withheld from the company's books and treasury.

VII. That the only apparent sources of income from which the company's unpaid losses herebefore set forth may be satisfied are the possible collections of premium payments withheld as described in the last paragraph, and the future assessment of the policyholders whose policies were in force upon the respective dates of such losses as provided in the company's by-laws; that however, owing to the dwindling membership and the fact that many of the policyholders now in good standing are themselves loss claimants it is apparent that the present policyholders are practically without protection, and that recent and future losses have small prospect of ultimate payment, either by assessment or otherwise.

VIII. In view of the foregoing, I respectfully report that the said Hudson Horse Insurance Company was on the 2d day of June, 1910, and now is, hopelessly insolvent, and then was and is in such condition that its further transaction of business will be hazardous to its policyholders, to its creditors and to the public and that, in my opinion, an order to liquidate the company in

pursuance of section 63 of the Insurance Law, should be immediately applied for.

Respectfully submitted,

EDWARDS P. WARD,

*Special Deputy Superintendent of Insurance in charge
of the Hudson Horse Insurance Company*

STATE OF NEW YORK }
COUNTY AND CITY OF NEW YORK } ss.:

Edwards P. Ward, being first duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

EDWARDS P. WARD

Sworn to before me this

9th day of July, 1910.

[L. S.]

KATE F. CAHILL,
Notary Public, New York County

STATE OF NEW YORK

INSURANCE DEPARTMENT

NEW YORK OFFICE, 165 BROADWAY

NEW YORK, July 11, 1910.

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance.*
Albany, N. Y.

SIR.— Acting under appointment No. 2335, dated February 5, 1910, and annexed hereto, we have completed an examination of the New York Casualty Company, an assessment corporation operating under the provisions of article VI of the Insurance Law.

The following is a statement of the income and disbursements from January 1st to December 31, 1909:

Balance as per company's records December 31, 1908..... \$773 53

INCOME

Gross membership fees.....	\$3,650 50
Assessments	14,595 53
Total paid by members.....	\$18,246 03

Received from Buffalo Agency Company.....	\$2, 236 58	
Total income		\$20, 482 61
Total		\$21, 256 14

DISBURSEMENTS

Specific benefit claims.....	\$800 00	
Temporary disability claims.....	4, 437 40	
Advance payments returned.....	25 48	
Total paid to members.....	\$5, 262 88	
Commissions and fees.....	3, 639 00	
Commissions for collecting premiums.....	2, 494 31	
Salaries of managers and agents.....	1, 614 00	
Salaries of officers	2, 045 00	
Salaries of office employees	1, 237 15	
Traveling, postage, express, etc.....	821 14	
Rent, advertising and printing.....	1, 744 29	
Fees and licenses.....	40 00	
Legal expenses	74 05	
Sundries	948 66	
(Total expense of management, \$14,657.60.)		
Total disbursements		19, 920 48
Balance (ledger assets December 31, 1909).....		\$1, 335 66

LEDGER ASSETS

Cash in office and in bank.....	\$631 30	
Agents' balances	701 86	
Due by agents.....	2 50	
Total		\$1, 335 66

NONLEDGER ASSETS

Assessments called but not more than thirty days overdue....	1, 003 33	
Gross assets		\$2, 339 04

Deduct Assets Not Admitted

Agents' balances	701 86	
Total admitted assets.....		\$1, 637 18

LIABILITIES

Reserve and emergency fund.....	\$190 00	
Unpaid claims	516 85	

Salaries, rents, etc., estimated.....	\$125 00
Advance assessments	413 37
<hr/>	
Total liabilities	\$1,245 22
<hr/>	
Balance	\$391 96
<hr/>	
Certificates in force: 1,168.	
Insurance in force: \$454,000.	

Unpaid Losses

The records of the company show that on December 31, 1909, there were nineteen unpaid claims. At the time of examination, thirteen of these claims had been settled for \$303.86 and we carried them at this figure in the schedule of liabilities. The remaining six we have carried at the company's average for the year of \$18 per claim.

There were also eight claims in which the illness had occurred prior to January 1, 1910, although notice was received subsequent to that date. These claims at the time of examination had been settled for \$104.99 and we have carried them in the schedule of liabilities at this figure.

Officers Salaries

The principal officers and the salaries they receive directly from the New York Casualty Company are as follows:

William T. Roberts, President.....	No salary.
William F. Kasting, Vice-President.....	No salary.
H. V. Hucker, Secretary.....	\$1,600 per annum.
L. L. Westbrook, Treasurer.....	No salary.
W. C. Barker, Counsel.....	\$120 per annum.
James Lancaster, Accountant.....	\$300 per annum.

Agency Contract

The entire business of this company is written through a general agency contract. This contract dated October 12, 1906, is between one Kate B. Cary and the New York Casualty Company, and was assigned by Kate B. Cary to the Buffalo Agency Company, October 15, 1906.

We attach to this report as Exhibits "A" and "B" copies of said contract and assignment.

The officers of the New York Casualty Company and the Buffalo Agency Company are practically the same and are as follows:

New York Casualty Company		Buffalo Agency Company	
William T. Roberts.....	President.....	William T. Roberts.	
William F. Kasting.....	Vice-President.....	William F. Kasting.	
L. L. Westbrook.....	Treasurer.....	W. C. Barker.	
H. V. Hucker.....	Secretary.....	H. V. Hucker.	

The following table shows the premiums and fees received, the amounts paid to members, the expenses of management and the ratio of management expense to premiums and fees.

	Premiums and fees	Paid to members	Expenses of management	Ratio of expenses to premiums and fees
1906-7	\$5,103 44	\$1,782 27	\$7,469 98	146%
1908	14,019 83	3,452 76	12,941 50.	92%
1909	18,246 03	5,262 88	14,657 60	80%
	<hr/> \$37,369 30	<hr/> \$10,497 91	<hr/> \$35,069 08	<hr/>

Respectfully submitted,

RICHARD A. ELMER

WILBUR H. NANGLE

Examiners

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

Richard A. Elmer and Wilbur H. Nangle, being duly sworn, depose and say, and each for himself says, that the foregoing report subscribed by him, being in amendment of the same report, subscribed and sworn to by them on the 6th day of May, 1910, is true to the best of their knowledge and belief.

RICHARD A. ELMER

WILBUR H. NANGLE

Subscribed and sworn to before me
this 14th day of July, 1910.

[L. s.]

KATE F. CAHILL,
Notary Public, New York County.

EXHIBIT A

THIS AGREEMENT, made this 12th day of October, 1906, between New York Casualty Company, an insurance corporation of the State of New York, party of the first part, and Kate B. Cary, of the city of Buffalo, county of Erie and State of New York, party of the second part, WITNESSETH:

First: The party of the first part has engaged to employ and hereby does employ the party of the second part, as its sole and exclusive general agent for the period of fifty years, from and after this date, upon the terms and conditions hereinafter set forth.

Second: The party of the second part has agreed to accept and hereby does accept such employment, and hereby agrees to use her entire time and attention and best endeavors in behalf of the business of the first party.

Third: Second party (during said period of fifty years), for herself and such subordinates as she may from time to time appoint (during the duration of such appointment), shall have the exclusive right and privilege to solicit and obtain for first party all applications for membership, contracts, risks and policies of insurance, and all memberships, and certificates thereof, contracts, risks and policies of insurance which shall be granted, issued or permitted by first party; all of such certificates of membership, contracts, risks and policies of insurance shall be countersigned by second party, or by such subordinate agents as she may from time to time designate for that purpose.

Fourth: First party will not during the duration of this contract unreasonably reject any application tendered it by second party, and will not unreasonably cancel or modify any membership or insurance or certificate or policy, or contract thereof after the same has once been issued.

Fifth: First party will adjust and pay all legitimate insurance claims fairly, justly and promptly.

Sixth: Second party shall pay first party in consideration of this contract the sum of \$5,000, and interest payable as follows: \$100 and interest at the rate of 3 per cent. per annum on all sums from time to time unpaid, at the end of each and every year from and after this date during the duration of this contract until said sum of \$5,000 and interest is paid in full.

Seventh: Second party shall pay the reasonable administration expenses of first party, including commissions, rents, advertising, printing, stationery, postage, supplies, salaries, taxes and legal fees, excepting, however, taxes and expenses connected with first party's investments, and also excepting costs and expenses growing out of contested claims; provided, however, that such expense so to be said exclusive of agents' commissions, shall never from time to time exceed ten per cent. of the total premium income of first party, exclusive of entrance or admission fees.

Eighth: First party will pay to second party monthly in consideration of the foregoing promises and agreements all admission fees and 50 per cent. of all premiums received.

Ninth: At any time within one year from and after this date second party may assign this contract to any corporation organized under the laws of the State of New York, which she may elect, and upon such assignment all her rights, privileges and liabilities under this contract shall forthwith cease,

and all such rights and privileges shall belong to and accrue to the benefit of said assignee corporation, and said corporation shall be subject to all the terms and conditions hereof in the same manner and to the same effect as if originally named as second party herein, except, as aforesaid, this contract shall be nonassignable or transferable by said second party, and if assigned as aforesaid to said corporation it shall be absolutely nonassignable and nontransferable by said corporation.

In witness whereof: First party has caused its corporate seal to be hereunto affixed and these present to be executed by its president, thereunto duly authorized, and second party has hereunto affixed her hand and seal the day and year first above written.

NEW YORK CASUALTY COMPANY,

By *Henry V. Hucker*,

as President.

KATE B. CARY. [L. S.]

EXHIBIT B

THIS AGREEMENT, made this 15th day of October, 1906, between Kate B. Cary of the city of Buffalo, county of Erie and State of New York, party of the first part, and The Buffalo Agency Company, a corporation organized and existing under and by virtue of the laws of the State of New York, and having its principal office in the city of Buffalo, New York, party of the second part, WITNESSETH:

That for and in consideration of the promises and agreements hereinafter contained, said parties have agreed as follows:

The party of the first part hereby sells, assigns, transfers, and sets over unto the said party of the second part, a certain contract, dated October 12, 1906, between first party and New York Casualty Company, an insurance corporation of the State of New York, a copy of which contract is hereto attached and made a part hereof, together with all of first party's right, title and interest therein and thereto and in and to the rights and privileges therein contained.

Second party hereby accepts such transfer and in consideration thereof, hereby expressly assumes and agrees to hold first party harmless from all the liabilities and obligations which were assumed by first party in said contract. and second party further agrees in further consideration thereof, to pay to first party the sum of \$12,500, payable at the election of second party in capital stock of second party at par, full paid and nonassessable.

Such stock to be issued to first party or to such person or persons, firms or corporations as she may from time to time elect.

Witness, the hand and seal of second party and the signature of its secretary thereunto duly authorized the day and year first above written.

KATE B. CARY, [L. S.]

THE BUFFALO AGENCY COMPANY,

By *Walter Barker*,

as Secretary.

EXHIBIT C

WHEREAS, the Buffalo Agency Company has heretofore paid certain sums of money to the New York Casualty Company, and

Whereas, said sums of money were intended to be applied:

First: To the payment of any sums due to the New York Casualty Company from the Buffalo Agency Company on account of expenditures under the agency contract dated October 12, 1906;

Second: To the payment and advance payment of the principal sum of \$5,000 and the interest, provided by said contract to be paid to the New York Casualty Company;

Third: As and for a donation from the Buffalo Agency Company to the New York Casualty Company.

Now, therefore, the Buffalo Agency Company, its successors and assigns, in order to fully carry out said intention and by value received, hereby releases the New York Casualty Company, its successors and assigns, of and from all liability of every name and nature in any manner arising out of such donation so made as aforesaid, and for and on account of any sums that should have been paid to the Buffalo Agency Company under said contract from the beginning of the world down to the day of the date of these presents, dated this 19th day of February, 1910.

THE BUFFALO AGENCY COMPANY,

By
as Treasurer.

STATE OF NEW YORK }
COUNTY OF ERIE } ss.:
City of Buffalo }

On this 19th day of February, 1910, before me personally appeared Walter C. Barker, to me personally known, and being by me duly sworn, deposes and says that he was treasurer of the Buffalo Agency Company, the corporation mentioned in the foregoing release.

That he resides in the city of Buffalo, New York; that he knows the corporate seal of said corporation, and the seal affixed to the foregoing instrument in such corporate seal, and that it was so affixed by order of the board of directors of said corporation; and that he signed his name to said instrument and executed the same on behalf of said corporation by like order of said board of directors.

EXHIBIT D

RESOLVED, That any moneys heretofore paid by this company to the New York Casualty Company were intended to be applied and should be applied as follows:

First, in payment of any sums due to the New York Casualty Company from the Buffalo Agency Company by reason of expenditures to be made under agency contract dated October 12, 1906.

Second, in payment and advance payment of the principal sum of \$5,000 and interest, provided by said contract to be paid to the New York Casualty Company.

Third, as and for a donation from the Buffalo Agency Company to the New York Casualty Company.

RESOLVED, that no liability arose or exists against the New York Casualty Company and in favor of the Buffalo Agency Company by reason of such donation.

RESOLVED, that the treasurer be and hereby is authorized to execute and deliver in the name and on behalf of this company to the New York Casualty Company, a release from any and all liability on account of such donation, and from any and all liability by reason of any sums of money due from the New York Casualty Company to this company up and to including February 19, 1910.

STATE OF NEW YORK

INSURANCE DEPARTMENT

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Pursuant to your appointment No. 2433, dated July 12, 1910, I have to report that I have this day examined the Citizens' Fire Insurance Association of Utica, Oneida county, N. Y., and that I have found its condition to be as hereinbelow set forth.

1. The Citizens' Fire Insurance Association is a county co-operative fire insurance corporation organized December 18, 1903, under article IX of the Insurance Law and authorized to transact the business of fire insurance, as reported to the department, in the counties of Oneida, Herkimer, Oswego, St. Lawrence and Jefferson, and having its principal office for the transaction of business in the city of Utica.

2. This association has been managed upon the "advance premium plan," although it has always issued policies of fire insurance subject to assessment and has, for the past four years, been raising funds for the payment of its fire losses by means of the negotiation of its promissory notes. On or about the 14th day of September, 1909, the association was examined by Mr. John L. Train and then found to be indebted upon promissory notes to the amount of \$757.53.

3. On the 19th day of October, 1909, upon your insistence that the association should pay its then existing indebtedness, the board of directors duly passed a resolution making an assessment of 50 per cent. of the premiums upon its policyholders or mem-

bers; and the said assessment was duly levied and the sum of \$1,314.41 collected thereunder as shown by the records of the association.

4. One result of the making of the said assessment was the collection of sufficient funds to pay its then existing indebtedness, and all indebtedness was reported by the officers of the association as paid in the annual statement of the association for the year 1909, filed in the Department January 31, 1910. A further result as a decrease in the amount of insurance outstanding from \$376,501 as reported in statement to the Department as of July, 1909, to \$195,683 on December 31, 1909, as stated in the annual report of the association for the year 1909, filed in the office of the clerk of Oneida county, January 31, 1910, and \$93,253 on May 14, 1910, as shown by the books of the company.

The various reports filed by the officers of the association show a decrease in the number of policyholders or members, which parallels the decrease in amount of insurance. On December 31, 1908, the officers claimed 561 policyholders, on December 31, 1909, they claimed 255 policyholders, and on May 16, 1910, they claimed only 102 policyholders.

5. A statement of the financial condition of the association as shown by the books of account and records of the corporation, is hereto appended, marked "Schedule B" and hereby made a part of this report. By the said statement it appears that the association has gross liabilities amounting to the sum of \$2,986.34, the greater part thereof consisting of fire losses which occurred subsequent to March 30, 1910, and assets amounting to the sum of \$584.99, making an excess of liabilities over assets amounting to \$2,401.35.

6. On the 16th day of May, 1910, the association made a second assessment of 150 per cent. of the premiums upon its outstanding policies, to raise funds for the payment of a \$1,200 fire loss which occurred on the 31st day of March, 1910. Since making the assessment above mentioned, the association has sustained two further fire losses, aggregating \$1,700, and has made a third assessment of 300 per cent. of the premiums upon its outstanding policies.

7. The assessment last above mentioned is, by the terms of the notice of assessment sent out by the secretary, due on the 16th

days of July, 1910. The amount required to be raised thereby and the amount which would be realized therefrom, provided the amount thereof assessed against every member could be collected is the sum of \$3,387.51. The sum of which has been collected by the association under the said assessment to and including the 12th day of July, 1910, is the sum of \$450.90.

8. The failure of the association to collect the said assessment indicates the existence of an unwillingness on the part of policyholders to pay, which renders it unlikely that the present indebtedness of the corporation can or will be paid out of the proceeds of such assessment. If, however, the indebtedness should be paid, the association would still have no funds out of which to meet any further loss that may occur, so that the further continuance of the corporation in business has become hazardous and is daily becoming more hazardous to its policyholders, or members, to its creditors and to the public.

9. By the records of the corporation and by my observation of the conduct of members in their dealings with the officers of the association, it appears that the condition of the corporation is desperate, that it is hopelessly insolvent and that its membership is rapidly decreasing.

In my opinion the only course to be pursued with regard to the corporation is to terminate its liability under its policies of insurance and liquidate its business at once, and I so recommend.

Respectfully submitted,

JOSEPH H. MIDDLETON,

Assistant Examiner

Dated ALBANY, N. Y., *July 13, 1910.*

STATE OF NEW YORK }
COUNTY OF ALBANY } ss.:

Joseph H. Middleton, being duly sworn, deposes and says that he made the foregoing report by him subscribed, and that the same is true to the best of his knowledge, information and belief.

JOSEPH H. MIDDLETON

Sworn to before me this 14th
day of July, 1910.

[L. s.]

THOMAS F. BEHAN,

Notary Public, Albany County

SCHEDULE B

*Citizens' Fire Insurance Association of Utica, Oneida County, .
N. Y.—Financial Exhibit as of July 12, 1910.*

LEDGER ASSETS

Cash in bank.....	\$96 69	
Uncollected premiums (net) not over three months due	37 50	
Uncollected premiums over three months due..	114 10	
Assessments (as reported by secretary).....	450 90	
	<hr/>	
Total ledger assets.....	\$698 09	
Deduct assets not admitted (uncollected pre- miums [net] over three months due).....	114 10	
	<hr/>	
Total admitted assets.....		\$584 99

LIABILITIES

Unpaid losses (adjusted).....	\$2,200 00	
Unpaid losses (unadjusted).....	700 00	
Due agents	86 34	
	<hr/>	
Total liabilities		\$2,986 34
	<hr/>	
Excess of liabilities over assets.....		\$2,401 35

Policies in force: 102.

Amount thereof: \$93,253.

STATE OF NEW YORK

INSURANCE DEPARTMENT

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,
Albany, N. Y.*

SIR.—Pursuant to your appointment No. 2432, dated July 12, 1910, I have to report that I have this day examined the Empire State Fire Insurance Association of Utica, Oneida county, N. Y., and that I have found its condition to be as hereinbelow set forth.

1. The Empire State Fire Insurance Association is a county co-operative fire insurance corporation organized February 15, 1905, under article IX of the Insurance Law, authorized to transact the business of fire insurance, as reported to the Department

in the counties of Oneida, Madison, Chenango, Otsego and Montgomery, and having its principal office for the transaction of business in the city of Utica.

2. This association has been conducted on the "advance premium plan," although it has always issued policies of fire insurance subject to assessment. The members, however, have not expected to be obliged to pay assessment, and, as will hereafter appear, are not doing so freely. Owing to the fact that books of account were no kept by the officers of this association previous to the fall of 1909 the past history and financial condition of the association is not known to your examiner. On or about the 14th day of September, 1909, the association was examined by Mr. John L. Train, an examiner of the Insurance Department, and then found to have an excess of liabilities over assets amounting to \$198.91.

3. In a report of the company as of December 31, 1908, the officers claimed 559 policyholders, on December 31, 1909, they claimed 295 policyholders and on June 4, 1910, they claimed only 127 policyholders. This decrease in number of policyholders was paralleled by a decrease in amount of insurance outstanding, the total amount decreasing from \$415,706 on December 31, 1908, to \$199,159 on December 31, 1909, and to \$121,391 on June 4, 1910.

In order to comply with the requirements of the Insurance Department that this indebtedness be paid before any further policies of insurance were issued, and in order to avoid the necessity of making an assessment for this purpose, I am informed by the secretary that he personally paid this indebtedness.

4. On June 6, 1910, the association suffered a loss by fire of \$1,000. To meet this loss the executive committee of the association on or about June 6, 1910, passed a resolution levying a 300 per cent. assessment on all policyholders, such assessment being payable before August 4, 1910. The amount to be raised thereby and the amount which would be realized therefrom, provided the amount thereof assessed against every member would be collected, is the sum of \$3,507.99. Up to the close of business on July 12, 1910, \$78.90 had been received from this assessment.

5. A statement of the financial condition of the association as shown by the books of account and records of the corporation is hereto appended marked "Schedule B" and hereby made a part of this report. By this statement it appears that the association has gross liabilities amounting to the sum of \$1,002.30, the greater part thereof consisting of the fire losses which occurred on or about June 6, 1910, and assets amounting to the sum of \$317.37, making an excess of liabilities over assets amounting to \$684.93.

6. The management of this association is in the hands of the same or substantially the same body of officers who conduct the business of the Citizens' Fire Insurance Association, which has been examined by me this day, upon which I herewith submit my report, and the vicissitudes of that corporation have had a sympathetic effect upon the business of this association. It is my opinion that the association will be able to pay its present indebtedness from the proceeds of the present assessment, but that the members or policyholders will continue to diminish in numbers; that it is and will continue to be unable to pay any fire loss that may occur otherwise than by means of assessments levied from time to time, and then the burden of such assessments will fall, as time goes on, upon the decreasing membership of the association with increasing weight and severity.

7. By the records of the corporation it appears that this association is hopelessly insolvent; and, by virtue of the facts above set forth, it appears that its further transaction of business is and will be hazardous to its policyholders, to its creditors and to the public.

In my opinion the only course to be pursued with regard to the corporation is to terminate its liability under its policies of insurance and to liquidate its business at once, and I so recommend.

Respectfully submitted,

JOSEPH H. MIDDLETON

Assistant Examiner

Dated, ALBANY, N. Y., *July 13, 1910.*

STATE OF NEW YORK }
COUNTY OF ALBANY } ss.:

Joseph H. Middleton, being duly sworn, deposes and says that the foregoing report by him subscribed is true to the best of his knowledge, information and belief.

JOSEPH H. MIDDLETON

Sworn to before me this 14th
day of July, 1910.

[L. S.] THOMAS F. BEHAN,
Notary Public, Albany County

SCHEDULE B

*Empire State Fire Insurance Association of Utica, Oneida county,
N. Y.—Financial Exhibit as of July 12, 1910*

LEDGER ASSETS

Cash in bank (as reported by secretary).....	\$83 30
Uncollected premiums (net) not over three months due	155 17
Uncollected premiums (net) over three months due	19 92
Received from assessment (as reported by secretary).....	78 90
Total ledger assets.....	\$337 29
Deduct assets not admitted (uncollected premiums [net] over three months due).....	19 92
Total admitted assets.....	\$317 37

LIABILITIES

Unpaid losses (adjusted).....	\$1,000 00
Due agents	2 30
Total liabilities	\$1,002 30
Excess of liabilities over assets.....	\$684 93
Policies in force: 127.	
Amount thereof: \$121,391.	

REPORT

ON

Town and County Co-operative Fire Insurance Associations of New York State

[1017]

STATE OF NEW YORK

INSURANCE DEPARTMENT

Report on Town and County Co-operative Fire Insurance Associations of New York State.

INCLUDING

History of town and county co-operative fire insurance in New York State and legislation relating thereto.

The financial statements and method of transacting business of one hundred and forty-five co-operative fire insurance associations of New York State and information concerning eight associations in process of liquidation;

Suggestions as to legislation affecting these associations.

Summary of the laws of other states relating to similar associations.

Also, the laws of New York, the opinions of the attorneys-general, and important cases, having reference to town and county co-operative fire insurance associations.

Transmitted to the Governor, December 28, 1909.

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, N. Y., December 28, 1909

HON. CHARLES E. HUGHES, *Governor.*

SIR.—The enactment of chapter 300 of the Laws of 1909, adding section 63 to the Insurance Law, has made possible an investigation of co-operative fire insurance as transacted in this state under articles IX and X of such law.

The result of such investigation is herewith transmitted to you, in the form of a report by Assistant Examiner Train of this department, which report follows.

It is expected that recommendations, looking to legislation at the coming session, will be made in the forthcoming annual report of the department.

Respectfully yours,

William H. Hotchkiss

Superintendent

REPORT ON TOWN AND COUNTY CO-OPERATIVE FIRE INSUR- ANCE ASSOCIATIONS OF NEW YORK STATE

ALBANY, N. Y., *December 23, 1909.*

HON. WILLIAM H. HOTCHKISS,
Superintendent of Insurance,

HON. SAMUEL S. KOENIG,
Secretary of State, Albany, N. Y.

SIRS.—Acting under your instructions to make a general investigation of town and county co-operative fire insurance associations transacting business in this state, I submit the following report, which includes (1) a review of the statutes regulating these associations and a general history of their organization, (2) present investigation, (3) methods by which co-operative fire insurance associations transact business, (4) suggestions as to legislation, (5) report on each association and information regarding its affairs, and (6) certain summaries of the laws of other states affecting associations of a similar character.

Annexed hereto are appendices showing (A) important decisions by the courts, (B) copies of such articles and sections of the insurance law as apply to these associations and (C) opinions of the attorney-general germane to this subject.

I

HISTORY OF TOWN AND COUNTY CO-OPERATIVE FIRE INSURANCE IN NEW YORK

As early as 1836, individuals of various townships in this State formed associations for the purpose of protecting themselves against loss by fire. These associations were organized by special acts of the Legislature, and their powers and regulations were prescribed by their charters. They were not authorized to transact

business outside of the township in which their principal place of business was located. These charters were granted for a period of thirty years, but could be extended by the Legislature.

Legislation of 1857. By chapter 739 of the Laws of 1857, the Legislature enacted a general law for the incorporation of town co-operative fire insurance associations. This law provided that any number of persons, not less than twenty-five, residing in any town, collectively owning property of not less than \$50,000 in value, could form themselves into an incorporated company for the purpose of mutual insurance against loss or damage by fire, and that the corporate name should embrace the name of the town in which the business office of such company was located. It was also provided that the maximum risk should not exceed \$2,000, or the term of the policies five years. Each policyholder was required to give his undertaking to pay his pro rata share of losses and expenses. The property that could be insured was limited to detached dwellings and their contents, and farm buildings and their contents. The association was also required to file with the town clerk a statement of its affairs, on the day preceding the annual meeting.

Legislation of 1862. Associations organized under this law quite generally charged a policy fee at the time of the issuance of the policy and levied an assessment on its policyholders after each loss. About forty associations were organized between the date of the passage of this act and the passage of chapter 347 of the Laws of 1862, which repealed that portion of the law of 1857 authorizing the formation of town co-operative associations but did not interfere in any way with associations already organized and transacting business. Between 1862 and 1875, town co-operative fire insurance associations could be organized only by special act of the legislature. No co-operative association doing business previous to 1875 was authorized to transact business outside the limits of the town in which the office of the company was located or within the limits of any incorporated city.

Grange Associations. About 1875, the New York State Grange or Patrons of Husbandry, at its meetings and by its committee on insurance, took up the question of organizing associations in each

county, for the protection of its own members. As a result, eleven grange associations were organized in the years 1876, 1877 and 1878, without warrant of statutory law, but under what was called the honor plan. Each association acted independently and each had its own articles of association and by-laws. All, however, had the general plan of assessing members for the losses sustained. That associations of this kind might be organized under the law, the Legislature passed what is known as chapter 287 of the Laws of 1879, authorizing the organization of town and county co-operative fire insurance associations.

Legislation of 1879. This statute was similar in many respects to the laws of 1857. Under it, however, town associations could be formed to do business in one or more towns, and county associations to do business in one county. The directors of any company, before doing any business, were required to file with a town clerk, if a town association, or with a county clerk, if a county association, a statement showing the name of the company, the names of the persons comprising it, with the amount of proposed insurance to each, a copy of the articles and by-laws of the association, and the names of the county, town or towns comprising the territorial limits within which it was proposed to do business. No company was authorized to do business until *bona fide* agreements had been entered into covering property to be insured to the amount of not less than \$100,000 in cases of county associations, and \$50,000 in cases of town associations. The largest risk that could be written by town associations was \$3,000, and by county associations \$5,000. An annual statement of the affairs of all associations was required to be filed with the town or county clerk. It was also provided that associations formed under the provisions of this act could classify the property or buildings insured therein under different rates. The associations organized under this act or already transacting business either levied assessments to pay losses and expenses previously incurred, or levied an assessment after each loss sustained.

Legislation from 1880 to 1886. By chapter 362 of the Laws of 1880, county associations were authorized to do business in not exceeding two counties, to be named in the articles of association, and were required to have \$100,000 of insurance for incorpora-

tion and \$100,000 additional for each county in which business was to be transacted. The maximum risk was increased to \$7,000. It was also provided that county associations could insure "dwelling-houses, barns and their contents, other buildings not more hazardous, buildings in incorporated villages and cities detached such distance from any other building, as the by-laws may prescribe, and their contents and live stock." The annual statement of the association was thereafter required to be filed with the county clerk and Secretary of State. This law related only to the organization and regulation of county co-operative fire insurance associations. Similar amendments were made to chapter 287 of the Laws of 1879, relating to town and county co-operative fire insurance associations. Both laws were consolidated by chapter 573 of the Laws of 1886, this being practically a re-enactment of chapter 287 of the Laws of 1879 with the amendments made thereto. In 1881, the Legislature authorized county associations to transact business in not exceeding three counties, to be named in the articles of association. In 1885, the law was amended so as to permit the directors of town and county associations "to make an estimate of such sums as in their judgment will be necessary to pay all losses, damages and expenses for the current year, and supply any deficiency in the preceding year and proceed to assess, levy and collect the same of the members of the company at such time as in their discretion will be most advantageous to the company;" such amendment also provided that no assessment made by the directors shall be illegal or invalid because the same or any part thereof shall be for the purpose of paying any money borrowed by the directors and used in the payment of any claims for loss or damage against said company." In 1886, the counties in which the twenty-five incorporators of county associations could reside was extended to "two or three adjoining counties." This law also provided that any county association could extend into three counties, by filing a certificate, stating the counties in which the association intended to do business, with the county clerks and Secretary of State.

Advance Premium Associations Since 1886. It was not until 1886 that any of these associations charged an advance premium deemed sufficient to pay the entire cost of the insurance.

Hitherto, it had been the practice of all associations to do business on the assessment plan, and collect from each policyholder his *pro rata* share of the losses and expenses. In 1886, however, an association was organized in Catskill, N. Y., to do business in three counties. The promoters and organizers of this association, believing the insurance rates of stock companies which prevailed in that section to be excessive, began writing insurance on mercantile, farm, business and miscellaneous risks in villages, charging an advanced premium estimated to be approximately 50 per cent. of the board rate. Although all the policies issued by this association were subject to assessment, no extra assessment was ever levied by the association. The rates, later, were advanced to average about 60 per cent. of the board rate, and, in 1901, were again advanced to average approximately 75 per cent. of the board rate; and such rate has been charged since that date. This association having proved successful, a number of other associations transacting business on the same plan were organized between 1893 and 1898, and a few have been organized since. A number of associations also changed their method of transacting business from the yearly assessment plan to the advance premium plan. Others made a combination of the two systems, in some classes charging only an advance premium, while in others an advance premium was charged based on an estimated rate, and an assessment levied each year.

Legislation from 1886 to 1909. The Legislature, in 1887, exempted town and county co-operative fire insurance associations from the provisions of section 121 of the Insurance Law, which required all fire insurance companies to use the standard form of fire insurance policy. In 1892, the following amendments were passed, permitting the insurance of "cheese factories and their contents and creameries and their contents, school buildings and their contents;" authorizing the incorporation of town and county associations "for the purpose of preventing the larceny of domestic animals, horses, wagons, sleighs, harnesses and robes;" providing that no general assessment be made "if more than ten per centum of any previous assessment shall be in the treasury of the corporation and not required for losses actually suffered."

The amendments of 1893 were the following: Reducing the

maximum risk that could be written to \$4,000; prohibiting the insurance of "any building or property within the limits of a city containing at the time of the incorporation of such company more than six hundred thousand inhabitants;" increasing the number of counties in which business could be transacted from "three" to "five." The maximum amount of a single risk that could be written was increased, in 1894, from \$4,000 to \$7,000, and the insurance of "hop houses and the hops and fixtures therein" was authorized.

In 1896, county associations were permitted to extend their territory from three to five counties, but any further extension could not exceed "one county for each million dollars of its insured property in force at the time of any such extension." The number of general assessments allowed to be levied in any one year was increased, in 1897, from "one" to "four." In 1898, the following was added: "except that companies organized exclusively for the purpose of insuring cheese factories and creameries and their contents may extend to any number of counties, not exceeding one county for each full hundred thousand dollars of insurance in force." But one association has taken advantage of this amendment.

The Legislature, in 1905, enacted the following amendments: The amount of insurance required before a county association could transact business was increased from \$100,000 for each county to \$300,000, and it was provided that the incorporators should each own in good faith real estate not less than \$500 in value; no county association could extend its territory until it had \$300,000 of insurance for each county in which it did business and that the territory could not be extended beyond five counties until it had insurance in force of \$1,000,000 for each of the original five counties and \$1,000,000 for each county into which the business was to be extended.

Summary. It will be seen, therefore, that, starting from the simple idea of a neighborhood mutual, was developed a system of co-operative insurance which, outside the larger cities, is practically State-wide; that this development has been marked by laws and amendments to law which did little more than designate the territory in which, and the kinds of property on which,

this class of insurance might be written; that few of the customary requirements applicable to stock companies, as, for instance, those intended to regulate their organization, to prescribe their methods of management, to provide an adequate reinsurance reserve, to compel the filing of annual statements on uniform official blanks, to authorize examination, or in general to provide supervision by state authority, were made as to companies of this class; in short, that, for more than half a century, the State has not adequately supervised or regulated this important and very necessary field of fire insurance.

II

PRESENT INVESTIGATION

Prior to the passage of section 63 of the Insurance Law by the Legislature of 1909, the insurance department had no supervision over the town and county co-operative fire insurance associations. The annual reports of these associations were filed only with the town or county clerks and with the Secretary of State, and no state official had authority to make an examination of their condition and affairs or to ascertain their financial condition. In June of this year, seven county co-operative fire insurance associations under one management, with their principal office in Syracuse, N. Y., all charging an advance premium, found themselves in such financial difficulties that it was deemed necessary to levy an assessment on their policyholders. Owing to inquiries and complaints received by the insurance department concerning these associations, an examination of their financial condition was made by an examiner of such department, acting under the joint authority of the Secretary of State and the Superintendent of Insurance. As a result of this examination, an application was made to the Supreme Court for an order restraining them from the further transaction of business, followed by a further order to liquidate their affairs under section 63 of the Insurance Law. This order being granted, a special deputy superintendent of insurance was placed in charge of the associations.

The Attorney-General having given his opinion that section 63 gave the Superintendent of Insurance authority to examine

these associations, your examiner, acting under an appointment from the Superintendent of Insurance, dated August 16, 1909, and from the Secretary of State, dated August 24, 1909, commenced a general investigation into the condition and affairs of all the town and county co-operative fire insurance associations transacting business in this state.

New York State Central Organization of Co-operative Fire Insurance. It was discovered early in the investigation, that most of these associations, that is 116, were members of the New York State Central Organization of Co-operative Fire Insurance, organized in 1883. The objects of this association, as set forth in its by-laws, are "to foster and protect the interests and growth and general welfare of the Co-operative Fire Insurance Companies by enabling them, through annual reports of such companies to the central organization, to secure greater conformity in matters of insurance and also in keeping records of the same, also by endeavoring to secure by combined effort and influence just and proper legislation, whenever needed, for the protection of the legitimate interests of such companies."

At the last annual meeting of this association, held in Syracuse on January 27, 1909, 116 members of the Central Association filed reports. The present officers of the association are: President, W. H. Vary, Watertown, N. Y.; vice-president, Dr. A. F. Sheldon, Lyons, N. Y.; secretary and treasurer, J. E. McClellan, West Hebron, N. Y.

The committee on law enforcement has employed an attorney, who has had charge of actions brought against various co-operative associations on the ground of illegal incorporation. Most of such illegal associations were located in Rochester. Several of these actions were successful; others are pending.

A summary of the reports of members of this association for the year ending December 31, 1908, as given in its annual report, shows:

Number of companies reporting...	116
Number of policies reported.....	259,230
Amount of risks reported.....	\$405,659,870
Amount of losses reported.....	\$876,872

Amount of expenses.....	\$284,660
Total of losses and expenses.....	\$1,161,532
Average cost of insuring \$1,000 for year 1908	\$2.85

Five County Co-operative Underwriters' Associations of New York State. Twenty-five county co-operative associations are members of an organization known as the Five County Co-operative Fire Underwriters' Association of New York State; seventeen of these are also members of the larger or Central Organization. This association was organized on April 21, 1898, for the purpose of co-operation among its members in the transaction of business, exchange of business experience and the compilation of statistics relating to co-operative fire insurance. The officers of this association are: President, Frank P. Tucker, Mechanicville; vice-president, O. C. Stevens, Greenville; secretary, C. G. Coffin, Catskill. All the associations in this organization do business on the stipulated advance premium plan, and all property insured is divided into the following twelve classes, the premium rate being based upon the class of risk:

1. Farm dwellings and contents.
2. Farm barns, contents and live stock.
3. Schoolhouses, churches and other public buildings, protected.
4. Schoolhouses, churches and other public buildings, unprotected.
5. Residential property, protected.
6. Residential property, unprotected.
7. Mercantile property, protected.
8. Mercantile property, unprotected.
9. Hotels, protected.
10. Hotels, unprotected.
11. Special hazards, protected.
12. Special hazards, unprotected.

Classes 1 to 6, inclusive, are written for a term of three years; classes 7 to 12, inclusive, for one year or less. The rates on the three-year policies are estimated to vary from 66 to 75 per cent. of the board rate, and on one year (or less) policies the rate is

estimated to be 75 per cent. of the board rate. With the exception of one association, the full premium is collected in advance. Since the formation of this organization, none of its members have levied an extra assessment on its policyholders.

Procedure in Investigation. Owing to the method by which the advance premium associations were transacting business, it was deemed necessary to make an examination of each of such associations. During the past three months, examinations have been made in forty-two associations of this class, and the reports thereon show their financial condition, method of transacting business and information relative to their management. After the associations were given an opportunity for a hearing on the reports, the latter were placed on file in the office of the secretary of state and in the insurance department.

For the purpose of securing information concerning the financial condition of all the other co-operative fire insurance associations and their method of transacting business, blanks containing various questions were, on September 20, 1909, sent to 103 such associations, with the request that such blanks be filled out and returned to this department. All of the associations have complied with this request, and the abstracted reports on each association are given in this report.

III

METHODS OF TRANSACTING BUSINESS

It was found, from the examinations made and reports received, that the town and county co-operative fire insurance associations transacted business in various ways. It is, therefore, deemed expedient to classify these associations into groups, based upon the various methods of transacting business.

1. Town Associations. Town associations include those whose territory is limited to townships or one single county. Many of these were organized by special acts or under the Laws of 1857, and have never reincorporated under the provisions of article IX of the Insurance Law. Fifty-three associations can be classed under this head, of which thirty-seven levy an assessment after each loss, eight make an annual assessment, five levy assessments when the directors decide they are needed, one levies an assess-

ment when the losses aggregate \$1,000, and two have never levied an extra assessment. Practically all of these associations confine their business to farm property and dwellings detached at a considerable distance. On December 31, 1908, this class of associations had 26,991 policies in force, and the amount of insurance was \$47,015,135. For the year ending December 31, 1908, the total income of all these associations was \$96,072.34, the disbursements \$87,435.20.

2. Grange Associations. This class includes twenty-one associations organized by members of the county granges, their present policyholders all being members of the grange. The territory in which business is transacted is usually confined to one or two counties. Associations, although organized by members of the grange and which insure property belonging to persons outside of the grange, are not included in this classification. Practically all the insurance carried by these organizations is on farm property. In some instances, insurance is written on property owned in villages by members of the grange, or grange halls. Of these associations, sixteen levy an assessment at the end of the year to pay losses and expenses, three make occasional assessments as the losses may require, and two levy assessments twice a year. As a general rule, the rate of assessment levied on all the policyholders is the same, and the time when the policy is issued is not taken into consideration. Policy fees are charged by practically all these associations, and, in addition, many charge a small percentage in advance. On December 31, 1908, grange associations had 44,893 policies in force, covering \$97,794,061 of insurance. For the year ending December 31, 1908, the total income of all the associations was \$224,138.24, the disbursements \$237,373.82.

3. County Assessment Associations. This class includes twenty-nine associations, whose territory comprises one or more counties, and in which, as a general rule, an assessment is levied once a year on all the policyholders to pay losses and expenses. Most of this class of associations confine their business to farm property and detached dwellings. Generally, a policy fee is charged in advance, together with a small percentage of the amount of insurance. In some cases, the property insured is classified, and

the advance percentage or the rate of assessment based thereon. Of these associations, twenty-three make an assessment once a year, three levy assessments when necessary, one occasionally levies an assessment and one levies assessments twice a year. On December 31, 1908, this class of associations had 80,680 policies in force, and the amount of insurance was \$139,452,204. For the year ending December 31, 1908, the total income of this class was \$410,654.95, the disbursements \$399,471.58.

4. Advance Premium Associations. There are really three groups of associations of this class, based on their different methods of transacting business; each of these groups will be considered separately.

Advance Premium Associations, Class A.—This class includes all those associations where an advance premium is charged which is estimated to pay the cost of the insurance, no additional assessment on the policyholder being contemplated.

Thirty-two associations transact business in this manner, and the premium is estimated to average between 70 and 80 per cent. of the board rate. Practically all of these associations insure all classes of risks in cities and villages. As a general rule, the advance charge for the premium has been sufficient to pay the cost of the insurance. In some instances, however, associations in this class have been compelled to levy an extra assessment. Indeed, as a result of the present investigation, two of them were instructed by the Superintendent of Insurance to levy an assessment on their policyholders to make good deficiencies.

Of the thirty-two associations included in this group, twenty-four are members of the Five County Co-operative Fire Underwriters' Association of New York State, and transact business in the manner already described in this report. The Union Mutual Fire Insurance Company, although not a member of the Five County Association, classifies its risks and bases its premium charges by the same method. In four of the associations, viz: Citizens Fire Insurance Association of Oneida county, Empire State Insurance Company of Utica, Oneida County, Herkimer Fire Insurance Company of Herkimer county and the Mohawk Valley Fire Insurance Company of Herkimer county, the secretary makes the rates, these being based on the board rate for that locality.

The Wyoming Valley Fire Insurance Company, organized in 1892, transacted business until June 30, 1907, on the assessment plan, and, as of that date, cancelled all its policies then in force, returned the pro rata premium, and since that time has made an advance charge for premiums. The association estimates the rates charged to be from 10 to 20 per cent. less than the board rate. The Church Insurance Association of the State of New York, incorporated under a special act of the Legislature, is authorized to insure, anywhere within the State, churches and their contents, parsonages and their contents, as well as sheds, barns and other property, not more hazardous, belonging to the several religious societies and to pastors or clergymen. The rates charged are estimated to be 26 per cent. less than the board rate. The Mutual Creamery and Cheese Factory Insurance Company insures only butter and cheese factories and their contents, and transacts business in twenty-one counties. After each loss, the pro rata share of the loss and expenses is charged against the account of each policyholder, and the policyholder is entitled to receive any profit earned during the time he has been a member.

Advance Premium Associations, Class B.—This class includes five associations in which a percentage of the estimated cost is paid in advance and an assessment or additional payment made each year.

Three of these associations, viz: Baron Steuben Co-operative Fire Insurance Company, Monroe County Co-operative Fire Insurance Company and the Tompkins County Co-operative Fire Insurance Company, transact business under the same method, as follows: Policies are issued for one and three years. On the one year policies, the entire premium is paid in advance, this premium being arbitrarily divided into two funds, 30 per cent. being called an entrance fee, to be used for expenses, and 70 per cent. a guarantee fee, to pay losses and expenses incidental thereto. On policies issued for a term of three years, 30 per cent. *i. e.* the entrance fee, of the estimated cost is paid in advance, together with one-third of the remaining 70 per cent. or guarantee fee. At the end of the first year of the policy, an assessment is levied, which is normally for the second one-third of the guaran-

tee fee, and, at the end of the second year, an assessment is levied for the remaining one-third of the guarantee fee. The associations can, however, increase or decrease the rate of assessment as levied at the end of the first and second years, and this has been done at various times. Policies on which the entire estimated cost is paid in advance three years, are sometimes issued by these associations. It has not been their practice to assess these policyholders, although it is admitted by the officers of these associations that such assessment should have been made. Indeed, it is claimed that, by levying an assessment each year on the policyholders, the principles of co-operative insurance are more closely followed than by collecting the entire premium in advance. The policyholder expects an annual assessment and, if such assessment is increased, it will unquestionably be paid. Under these conditions, it is very doubtful whether any of these associations could become insolvent; for, if the losses for any one year are unusually heavy, an increased assessment at the end of that year would provide the necessary funds. However, the fact that these associations issue two classes of policies, one of which is assessed each year, and the other not assessed at all, creates a question as to whether all the policyholders are being treated equitably. If a profit is made on the one year policies, such profit would necessarily be credited to the association, and the rate of assessment on the three year policyholders decreased accordingly. If the one year policies show a loss for any year, and no assessment being levied thereon, the only way in which such loss can be met is by an assessment on the three year policyholders. In this way, the three year policyholders, by having assessable policies, either share in the profits or losses of the one year policyholders. It is claimed by the officers of these associations that, in all instances, the one year policies have been profitable.

The Co-operative Fire Insurance Company of Wyoming and Genesee counties, included in this group, allows the policyholder to either pay his entire premium in advance or take his policy on the regular assessment plan. In the latter case, the policyholder pays in advance 30 per cent. of what is estimated to be the cost of the insurance for expenses, and an assessment is levied

each year to pay the losses. It will be seen that the question here arises as to what shall be done with the losses or profits of the advance premium policyholders.

The other association in this group, viz., The Lancaster Mutual Fire Insurance Company of Erie county, New York, issues policies for a term of five years at a rate fixed by the board of directors. The policyholder gives his individual note for the estimated cost and, when the policy is delivered, pays 25 per cent. of the amount of the note, and each year thereafter pays 20 per cent. of the remaining 75 per cent. No extra assessment has ever been levied on the policyholders of this association.

Advance Premium Associations, Class C.—Included in this group are six associations which charge an advance premium not estimated to cover the cost of the insurance, the policyholders being assessed as the losses may require.

Three of these associations, viz: Auburn Mutual Fire Insurance Company of Cayuga county, N. Y., Central City Co-operative Fire Insurance Company of Onondaga county, and the Dwelling House Co-operative Insurance Company of Cayuga county, transact business in the same manner, charging in advance a small premium, which, in all but two years, has been sufficient to pay the losses and expenses. The two latter insure only detached dwelling houses, while the former insures mercantile risks. While the policyholders in these associations expect additional assessments, an additional expense is incurred in making these assessments. The losses in these three associations have been very small.

The Dwelling Insurance Association of Central New York and the Merchants Co-operative Fire Insurance Association of Central New York, under the same management, transact business in a manner different from any of the others. One of these associations insures only dwelling houses and the other mercantile risks. The initial rate for one year policies on mercantile risks is estimated to be 80 per cent. of the board rate, while on five-year policies issued on dwelling houses the initial rate is estimated to be 80 per cent. of the board rate for a three-year policy. This rate is charged on renewals in accordance with the experience of the association, and has varied from 50 to 100 per cent. of the

initial rate. It is not the intention of these associations to accumulate any surplus. No policy is issued until the premium has been paid; hence, these associations never have any uncollected premiums. If a policyholder cancels his policy, he is entitled to share in the profits, if any, or, if there are any outstanding unpaid claims, the association compels the policyholder to pay his pro rata share before he is allowed to withdraw as a member of the association. Every policyholder is required to sign the application by which he agrees to pay his pro rata share of all losses and expenses. The other association in this class, viz., the Livingston County Mutual Fire Insurance Company, insures farm property and detached dwellings 100 feet distant in villages. Practically all of the insurance is on farm property. The advance premium charged was sufficient to pay all losses and expenses from 1893 to 1908. However, it was found necessary, in January 1909, to levy an additional assessment, about 99 per cent. of which was collected.

Criticisms as to Advance Premium Associations. From the examinations made of the affairs of the advance premium associations, the following comments by way of criticism seem warranted:

Eight of these associations did not have bookkeeping systems which would show, with any degree of certainty, the actual financial condition of such associations. Most of the associations have, however, agreed to install new systems, beginning January 1, 1910.

It has been the practice in five of these associations to loan money on individual notes without collateral. In some cases, money has been loaned to the officers, and at a less rate of interest than charged others. The amount of these notes was, in all instances, deducted as assets not admitted, and the associations were requested to collect these notes at the earliest possible date. This request has been met by all of the associations, and most of such notes have already been paid.

Investments have been made in securities of mercantile companies with which officers of these associations were officially connected. This criticism applies to two associations. One of them,

at the suggestion of this department, promptly disposed of such securities.

It was found that the officers having charge of the finances of many of these associations either were not bonded at all or were inadequately bonded. This condition was found even where the by-laws of the association specifically provided that bonds should be given. In all instances, at the suggestion of the Insurance Department, the officers of these associations have either already procured adequate bonds or are now negotiating for them.

Some of the associations have found it necessary, in the past, to borrow money to pay losses and expenses and have given the notes of the association as security. Many of these notes were carried from year to year, no payment, except interest, being made thereon. Some associations, at the suggestion of the insurance department, have already repaid the borrowed money and the others have agreed to do so at the earliest possible date.

Summary of Advance Premium Associations. As a general rule, their expense of management has been low, in most cases being from 30 to 40 per cent. of the premium income. In many of the associations, the officers are paid a fixed salary, while in others the compensation of officers is a commission on the premium receipts, or based on the amount of insurance written. Agents usually receive 20 per cent. commission. The rates, while differing in the various associations, will probably average approximately 80 per cent. of the board rate. In only a few associations is the application or undertaking to pay his pro rata share of losses or expenses signed by the policyholder. The acceptance of the policy contract is thought to be sufficient to bind the policyholder, and this contention seems to be borne out by the decisions of the courts.

It is doubtful whether all policyholders understand that their policies are subject to assessment. All of the associations, in compliance with the law, print their by-laws on the back of the policy, but, in many of the by-laws, it is very difficult to determine by the wording whether the policy is assessable. In fact, it is clear, from complaints received regarding the extra assessments levied on the policyholders of the associations now being liquidated, that the insured believed that his advance premium was all that could be collected.

Almost without an exception, all the advance premium associations are under the management of one man. As a general rule, he passes on the applications, and in many cases, receives the regular agents' commission on policies issued on applications which he, himself, has passed upon.

Most of the associations use the standard form of fire policy, and agree thereby, upon a cancellation on the part of the association, to return the *pro rata* share of the premium, or, when the cancellation is by the policyholder, to return the short rate. Unless these associations have on hand that portion of the premium which has been unearned, it seems clear that they cannot carry out their part of the contract, excepting, of course, that their policies are subject to assessment.

About one-third of these associations reinsure part of their risks, though receiving no commission for such reinsurance. In some cases, it was found that associations reinsured property located in counties wherein they were not authorized to transact business. While, under the decision of the courts, reinsurance of property located in counties in which an association is authorized to transact business is legal, it does not seem that associations can evade the law by reinsuring property located in unauthorized counties. All associations which were reinsuring in this manner have now stopped such practice. The propriety of reinsuring any policies is very questionable, especially on account of the complications that ensue when an assessment is levied. There seems to be no reason why all policies issued by these associations should not be written direct.

Many of these associations have accumulated a surplus over any amount needed for a reinsurance reserve. The policyholders of these associations, while members thereof, have contributed to this surplus. None of these associations has ever declared any dividend; indeed, in only a few cases are the directors given authority by the by-laws to distribute any portion of such surplus. More, while under the co-operative law and the policy contract, the insured is compelled to pay his *pro rata* share of losses and expenses and be subject to an additional assessment for that purpose, there is no provision made that he shall share in the profits, or, if provision was made, the directors have not seen fit to declare any dividends. Undoubtedly, any accumulated surplus

belongs to the present members of these associations, as the courts have decided that only present members are subject to an assessment.

IV

SUGGESTIONS AS TO LEGISLATION

Various suggestions as to legislation relating to town and county co-operative fire insurance associations have been made to your examiner during this investigation, and are here given for your information:

Co-operative associations, for the purposes of legislation, transact business on two distinct plans—(1) where an assessment on the policyholders is made in the regular course of business and the advance charge is merely nominal; (2) where the advance premium charge is estimated to pay the cost of the insurance, or the cost of the insurance is estimated in advance and extra assessments are very seldom, if ever levied.

Assessment Associations. Suggestions regarding legislation affecting this class of associations, which includes town, grange and county assessment associations, are:

(1) That their annual statements should be filed in the office of the Superintendent of Insurance, on blanks prepared by him, those blanks to show income and disbursements and other items concerning their financial condition, policy exhibit, and questions for the purpose of ascertaining the method of transacting business.

(2) That all associations should use the Standard Form of fire policy.

(3) That associations should be subject to examination and supervision by the Insurance Department.

(4) That the by-laws and amendments thereto should be approved by the Superintendent of Insurance.

(5) That all money borrowed during the year for the purpose of paying losses and expenses should be repaid at the end of each fiscal year.

Advance Premium Associations. Suggestions as to legislation regarding this class of associations are:

(1) Shall make annual reports to the insurance department as of December 31 of each year, on blanks prepared by the Su-

perintendent of Insurance, such reports to show income, disbursements, assets, liabilities and any further information that may be required.

(2) Shall be subject to examination by the Superintendent of Insurance, and required to submit any books or papers required by the examiners in conducting any examination.

(3) Shall use the Standard Form of fire policy as prescribed in section 121 of the Insurance Law.

(4) Shall invest only in such securities in which the assets of stock fire insurance companies can be invested.

(5) That the expenses of management shall not exceed, in any one year, more than thirty-five per cent. of the premium income, unless, upon application and cause shown, the Superintendent of Insurance shall permit an excess expense.

(6) Requirements of organization shall be \$100,000 of bona fide insurance for each county, and that articles of association shall be first approved as to form by the Attorney-General, and, after examination by the Superintendent of Insurance for the purpose of ascertaining whether all requirements have been complied with, he shall issue a certificate authorizing such association to transact business.

(7) That these associations be limited in territory to not exceeding fifteen counties.

(8) That these associations be authorized to transact business anywhere within the state, outside of the counties of New York, Kings and Queens.

(9) That the amount of insurance that can be written in the business section of any incorporated village or city be limited to 1 per cent. of the amount of insurance in force.

(10) That any extension of territory shall depend upon the amount of the surplus and not upon the amount of insurance in force.

(11) That no association can add to its surplus, in any one year, more than 10 or 15 per cent. of its premium income, and any profits above that amount shall be credited to the policyholders on renewals.

(12) That the word "Co-operative" shall appear printed plainly upon the face of every policy form.

(13) That the requirement, in section 267 of the Insurance Law, that every person insured give his undertaking to pay his pro rata share of all losses and damages, be eliminated.

(14) That any deficiency must be made good within thirty days after service of a notice by the Superintendent of Insurance upon such an association. If the deficiency is not made good within that time, an assessment shall be levied by the association upon the policyholders, or the Superintendent shall take possession of such association under the provisions of section 63 of the Insurance Law.

(15) That no association be permitted to write policies of insurance for which premiums are collected by different methods, that is, that all should pay the entire premium in advance, or all be assessed on the same basis.

(16) That associations shall not be permitted to reinsure any risks.

(17) That the person having charge of passing on the risks and applications shall not receive any commission on any premiums received by the association.

(18) That all associations charging an advance premium estimated to cover the cost of the insurance shall carry as a liability the amount of the unearned premiums computed on either the net or gross premiums.

(19) That no policy be canceled until the policyholder has paid his pro rata share of losses and expenses, and for any neglect to carry out this provision the directors of the association shall be liable.

(20) That all policyholders be permitted to vote by proxy for the directors, and that they shall receive a written notice of the date of the annual election at least twenty days prior thereto.

(21) That no policy fee be collected from any of the policyholders, or, if collected, that it be a charge against every policyholder and reported as an income and a disbursement.

(22) That, provided, all associations are subject to the restrictions and regulations regarding investments, unearned premiums, limitation of expense, dividends, etc., they be permitted to transact business anywhere within the State, except in cities containing over 600,000 inhabitants.

V

INDIVIDUAL REPORTS ON TOWN AND COUNTY CO-OPERATIVE FIRE
INSURANCE ASSOCIATIONS

TOWN ASSOCIATIONS

THE FOLLOWING FIFTY-THREE REPORTS OF TOWN ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE THOSE ASSOCIATIONS ORGANIZED UNDER SPECIAL ACTS OF THE LEGISLATURE OR UNDER THE PROVISIONS OF THE INSURANCE LAW, AND WHOSE TERRITORY IS CONFINED TO TOWNSHIPS OF A SINGLE COUNTY.

THE AMHERST AND CLARENCE CO-OPERATIVE
INSURANCE ASSOCIATION

Home Office, Swormville, N. Y.

Date of organization.....	June 17, 1892.
Date of filing papers with secretary of state.....	August 12, 1892.
Towns in which business is transacted	Amherst and Clarence.
Officers, addresses and sala- ries per year:	
President	Joseph Fiegl, Getzville, N. Y., \$25.
Vice-President	Andrew Neubeckr, Martinsville, N. Y., none.
Secretary	Geo. L. Miller, Swormville, N. Y., \$200.
Treasurer	Wm. J. Meyers, Swormville, N. Y., \$25.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$748 00

INCOME

Advance premiums or assessments.....	\$2,673 84
Membership fees.....	94 75
Interest from deposits.....	84 18
Total receipts	2,852 77

DISBURSEMENTS

Losses paid	\$615 41
Officers' salaries	344 00
Office expenses, clerk hire, etc.....	94 64
All other expenses.....	250 59

Total disbursements 1,304 64

Balance \$2,294 13

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	802.
Amount.....	\$1,836,019.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	No advance premium but an amount in proportion to cash on hand paid by old members.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$1; 1905, nothing; 1906, \$1; 1907, \$1.50; 1908, \$1.50; 1909, \$1.
Method of transacting business	An assessment is levied in April of each year to pay any previous losses and to provide a contingent fund for the following year. Any borrowed money is repaid by this assessment. Policyholder is required to sign the application.
Management	Treasurer is bonded for \$2,000, collectors in town of Clarence, \$2,200 and in town of Amherst, \$1,400. Collectors receive 2 per cent. of assessments collected. Agents receive \$1 policy fee.

THE ANDES MUTUAL FIRE INSURANCE COMPANY

Home Office, Andes, N. Y.

Date of organization.....	1880.
Date of filing papers with secretary of state.....	June 20, 1882.
Town in which business is transacted	Andes.
Officers, addresses and salaries per year:	
President	O. D. Smith, Shavertown, N. Y., nothing.
Secretary	W. C. Lang, Andes, N. Y., \$30.
Treasurer	Isaac Samuels, Andes, N. Y., nothing.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$411 74

INCOME

Advance premiums or assessments.....	\$179 32
Assessments other than paid in advance.....	1,694 27
Total receipts	1,873 59
	<u>\$2,285 33</u>

DISBURSEMENTS

Losses paid	\$1,634 50
Officers' salaries	30 00
Office expenses, clerk hire, etc.	67 63
All other expenses	73 00
Total disbursements	1,805 13
Balance	<u><u>\$480 20</u></u>

1044 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	370.
Amount.....	\$570,160.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Three years.
Amount of premium paid in advance	\$1 per \$1,000 and 10¢ for each additional \$100, and 50¢ policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, nothing; 1905, nothing; 1906, 37½¢; 1907, 10¢; 1908, 30¢.
Method of transacting business.....	An assessment is levied whenever a loss occurs to pay same. Over 98 per cent. of these assessments are collected. Policyholder is required to sign application. Maximum risk, \$3,000.
Management	Treasurer is bonded for \$1,000. Agent receives the 50¢ policy fee.

ARGYLE CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Argyle, N. Y.

Date of organization.....	September 2, 1879.
Date of filing papers with secretary of state.....	September 6, 1879.
Town in which business is transacted	Argyle.
Officers, addresses and salaries per year:	
President	John B. Conway, Argyle, N. Y., nothing.
Secretary	Benj. Carswell, Argyle, N. Y., \$1.50 for each policy.
Treasurer	Peter H. McEachron, Argyle, N. Y., 2 per cent. of assessments collected.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$376 75

INCOME

Assessments	\$695 24
Policy fees	152 00
Total receipts	847 24
	<u>\$1,223 99</u>

DISBURSEMENTS

Losses paid	\$786 13
Officers' salaries	127 90
Office expenses	13 00
Organization expenses	20 00
Total disbursements	947 03
Balance	<u>\$276 96</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	379.
Amount.....	\$738,050.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 8.45¢; 1905, 43.15¢; 1906, 13.28¢; 1907, 8.78¢; 1908, 11.12¢.
Method of transacting business.....	An assessment is levied when a loss occurs and sufficient funds are not on hand to pay the same. Property insured is divided into two classes: 1. Brick, stone or wooden buildings, with slate or metallic roofs. 2. All other buildings. Assessments on first class are for seven-eighths of policy value, on second class for full value. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	None of the officers are bonded.

THE BALLSTON CO-OPERATIVE INSURANCE ASSOCIATION

Home Office, Ballston Lake, N. Y.

Date of organization.....	February 23, 1882.
Date of filing papers with secretary of state.....	February 24, 1882.
Town in which business is transacted	Ballston.
Officers, addresses and salaries per year:	
President	F. B. Coons, Burnt Hills, N. Y., 25¢ for each policy.
Vice-President	E. A. Stewart, Burnt Hills, N. Y., nothing.
Secretary and Treasurer..	S. S. Hiller, Ballston Lake, N. Y., 25¢ for each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....		\$87 33
INCOME		
Assessments	\$920 26	
Commissions on policies	72 00	
Total receipts		992 26
DISBURSEMENTS		
Losses	\$900 00	
Officers' salaries and commissions.....	48 00	
Rebates	2 80	
Other expenses	23 64	
Total disbursements		\$1,079 59
Balance		

94 44
 15 15

1046 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	207.
Amount.....	\$376,136.
Classes of property insured.	Farm property and detached buildings.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee of \$2.
Rate of assessment.....	1904, 8¢ per \$100; 1905, no assessment; 1906, no assessment; 1907, 6¢ per \$100; 1908, 25¢ per \$100.
Method of transacting business.....	An assessment is made after each loss. Property insured is divided into four classes and assessment based thereon. Policyholder is required to sign application. Maximum risk, \$3,500.
Management	Agents receive 50¢ on each policy. Officers are not bonded.

BOVINA CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Bovina Center, N. Y.

Date of organization.....	1877.
Date of filing papers with secretary of state.....	1878.
Town in which business is transacted	Bovina.
Officers, addresses and salaries per year:	
President	Jas. W. Coulter, Bovina Center, N. Y., none.
Secretary	J. W. McCune, Bovina Center, N. Y., \$30.
Treasurer	F. C. Armstrong, Bovina Center, N. Y., none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand, January 1, 1908..... \$1 07

INCOME

Advance premiums or assessments.....	\$72 65
Borrowed money	140 00
Total income	212 65
	<u>\$213 72</u>

DISBURSEMENTS

Losses	\$120 00
Officers' salaries	31 10
Other expenses	60 30
Total disbursements	211 40
Balance	<u>\$2 32</u>
Unpaid borrowed money	<u>\$140 00</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	243.
Amount.....	\$640,708.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 policy fee for first \$1,000, and 5¢ for each \$100 over that amount.
Rate of assessment.....	Per \$100 of insurance average last five years, 50¢.
Method of transacting business.....	An assessment is levied whenever association has loss of any considerable amount. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	Treasurer is bonded for \$2,000. Directors receive 50¢ for each application written.

THE BRUNSWICK INSURANCE COMPANY

Home Office, Cropseyville, N. Y.

Date of organization.....	1856.
Town in which business is transacted	Brunswick.
Officers, addresses and salaries per year: *	
President	James B. Cottrell, Eagle Mills, N. Y., none.
Secretary	Orlin T. Bulson, Cropseyville, N. Y., 50¢ for each policy issued.
Treasurer	I. W. Abbott, Troy, N. Y., R. F. D. No. 1, 2 per cent. of receipts and disbursements.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 14, 1908..... \$254 22

INCOME

Advance premiums or assessments.....	\$195 10
Assessments other than paid in advance.....	1,879 69
Total income	2,074 79
	<u>\$2,329 01</u>

DISBURSEMENTS

Losses	\$1,968 00
Other expenses	109 79
Total disbursements	2,077 79
Balance	<u><u>\$251 22</u></u>

1048 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:

Number of policies.....	390.
Amount.....	\$760,400.
Classes of property insured.	Farm property, detached dwellings and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1.50 policy fee, and 10¢ per \$100.
Method of transacting business.....	

An assessment is levied whenever a loss occurs and sufficient funds are not on hand to pay the same. All property insured is divided into three classes: 1. Farm property and dwellings, 70 feet distant. 2. Any property 140 feet distant. 3. Same property more hazardous. If loss occurs on first class, all classes pay same rate. If loss occurs on second or third class, the first class pays at rate of 1 per cent., second, 1½ per cent., and third, 2 per cent. Policyholder is required to sign application. Maximum risk, \$7,000.

Management None of the officers are bonded.

CALLICOON AGRICULTURAL MUTUAL FIRE RELIEF ASSOCIATION OF SULLIVAN COUNTY

Home Office, North Branch, N. Y.

Date of organization.....	April 13, 1878.
Town in which business is transacted	Sullivan.
Officers, addresses and salaries per year:	
President	Edward C. Weiger, Kenoza Lake, \$50.
Vice-President	Ernest Buddenhagen, Callicoon, \$5.
Secretary	W. J. Gebhardt, North Branch, \$150.
Treasurer	L. J. Wagner, North Branch, \$100.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$3,757 48

INCOME

Advance premiums	\$2,300 17
Assessments	2,808 34
Vacancy permits	16 91
Total income	5,125 42

DISBURSEMENTS

Losses	\$4,470 50
Salaries	305 00
Directors' fees	539 00
Rebates	150 44
Other expenses	292 22

Total disbursements 5,757 16

Balance \$3,125 74

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	2,025.
Amount.....	\$3,452,551.
Classes of property insured.	Farm property, detached dwellings, schoolhouses.
Rates.....	1/9 per cent. first class; 1/7 per cent. second class; 1/2 per cent. third class.
Term of policies.....	Five years.
Amount of premium paid in advance	1/9 per cent. or 1/7 per cent. or 1/2 per cent. of amount insured, also 50¢ policy fee.
Rate of assessment.....	Per \$100 of insurance, 1904, 34¢; 1905, 22¢; 1906, 22¢; 1907, 22¢; 1908, 8¢.
Method of transacting business.....	An assessment is levied when losses aggregate \$1,000 or more, and then assessment made for an amount approximately large enough to pay losses and expenses for year. Maximum risk, \$4,000.
Management	Agents receive \$1 for each application, the 50¢ policy fee and 1 per cent. for collection. Treasurer bonded for \$2,500; secretary bonded for \$500; agents bonded for \$250.

CAMBRIDGE FIRE INSURANCE COMPANY

Home Office, Cambridge, N. Y.

Date of organization.....	1857.
Town in which business is transacted	Cambridge.
Officers, addresses and salaries per year:	
President	George R. King, Cambridge, N. Y., \$10.
Secretary	Horace Dodds, Cambridge, N. Y., \$1 for each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$69 54

DISBURSEMENTS

Losses	\$227 85
Officers' salaries	28 00
Other expenses	36 56
Total disbursements	292 41
Deficiency	\$222 87

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	490.
Amount.....	\$727,257.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 policy fee.
Rate of assessment.....	Per \$100 of insurance, average last 10 years, 15¢.

1050 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Method of transacting business.....	An assessment is levied after each loss except in cases of a small loss, when money is borrowed and repaid by next assessment. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	None of the officers are bonded.

THE CAROLINE FARMERS' FIRE INSURANCE COMPANY

Home Office, Slaterville Springs, N. Y.

Date of organization.....	May, 1886.
Town in which business is transacted	Caroline.
Officers, addresses and salaries per year:	
President	George M. Bull, Slaterville Springs.
Secretary	Richard Whittaker, Brookton, fees.
Treasurer	L. A. Patch, Caroline, fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$694 67

INCOME	
Assessments	\$1,550 83
Premiums	269 67
Total income	1,820 50
	<u>\$2,515 17</u>

DISBURSEMENTS	
Losses	\$1,883 12
Salaries	178 10
Office expenses	45 96
Rebates	16 35
Total disbursements	2,123 53
Balance	<u>\$391 64</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	409.
Amount.....	\$521,562.
Classes of property insured.	Farm property and detached dwellings.
Amount of premium paid in advance	For each \$100 of insurance: Class 1, 20¢; Class 2, 25¢; Class 3, 40¢.
Rate of assessment.....	On each \$100 of insurance: 1904, no assessment; 1905, no assessment; 1906, 25¢; 1907, 30¢; 1908, 30¢.

Method of transacting business.....	An assessment is levied when balance on hand is not sufficient to pay losses and expenses. Maximum risk, \$2,500.
Management	Treasurer receives 2 per cent. of money disbursed; secretary receives 50¢ for issuing policies. Treasurer bonded for \$5,000.

CHARLTON FIRE INSURANCE COMPANY

Home Office, Charlton, N. Y.

Date of organization.....	January 4, 1859.
Date of filing papers with secretary of state.....	December 15, 1888.
Town in which business is transacted	Charlton.
Officers, addresses and salaries:	
President	Alex. Crane, Ballston Lake, N. Y., none.
Vice-President	Edwin B. Smith, Schenectady, N. Y., none.
Secretary and Treasurer..	George F. Smith, Hagaman, N. Y., \$1 for each policy issued.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$9 67
INCOME	
Premiums	133 00
DISBURSEMENTS	
Officers' salaries	\$73 00
All other expenses.....	62 80
Total disbursements.....	135 80
Balance	<u>\$6 87</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	247.
Amount.....	\$379,279.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	5¢ per \$100, and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance, one assessment in last five years, for 35¢.
Method of transacting business.....	An assessment is levied when a loss occurs unless the loss is small, when money is borrowed and repaid by the following assessment. Policyholder is required to sign the application. Maximum risk, \$3,000. All property insured is divided into five classes.
Management	None of the officers are bonded.

CHERRY VALLEY, ROSEBOOM AND WESTFORD AND OTSEGO COUNTY CO-OPERATIVE INSUR- ANCE COMPANY

Home Office, Cherry Valley, N. Y.

Date of organization.....	1880.
Date of filing papers with secretary of state.....	May 17, 1894.
Towns in which business is transacted	Cherry Valley, Roseboom and Westford. Ex- tended to Otsego county in 1902.
Officers, addresses and sala- ries per year:	
President	H. B. Van Valkenburgh, Cherry Valley, N. Y., \$25.
Vice-President	Robert S. Hall, Westford, N. Y., none.
Secretary and Treasurer..	Fred J. Gilday, Cherry Valley, N. Y., actual services.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$347 97

INCOME

Assessments	\$12 09
Policy fees	116 40
Officers' notes (discounted).....	725 00
Total receipts	853 49

DISBURSEMENTS

Losses paid	\$884 00
Officers' salaries	126 60
Directors' fees	38 00
All other expenses.....	114 28
Total disbursements	1,162 88

Balance \$38 58

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	770.
Amount.....	\$1,103,913.
Classes of property insured.	Farm property and detached dwellings in vil- lages; hop houses.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 application fee and 60¢ as policy fee.
Rate of assessment.....	Average annual cost during the past 14 years about 65¢ per \$1,000.
Method of transacting busi- ness.....	An assessment is levied whenever sufficient losses are sustained and directors deem it judicious, and then to pay previous losses and expenses. Policyholder required to sign the application. Maximum risk, \$7,000.
Management	Secretary-treasurer bonded for double the amount of each assessment. Agent receives \$1 application fee.

CLAVERACK TOWN FIRE INSURANCE COMPANY

Home Office, Hudson, N. Y.

Date of organization..... 1857.
 Date of filing papers with
 secretary of state..... April 30, 1897.
 Town in which business is
 transacted Claverack.
 Officers, addresses and sala-
 ries:
 President Almon Miller, Mellenville, per diem.
 Secretary Myron Hess, Hudson, per diem.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$122 51

INCOME

Assessments other than paid in advance.....	\$1,788 38	
Issuing policies	197 75	
Total receipts		1,986 13
		<u>\$2,108 64</u>

DISBURSEMENTS

Losses paid	\$1,690 26	
Officers' salaries	224 50	
All other expenses.....	44 18	
Total disbursements		1,958 94
		<u>\$149 70</u>

Balance \$149 70

MISCELLANEOUS INFORMATION

Insurance in force:
 Number of policies..... 506.
 Amount..... \$910,817.
 Classes of property insured. Farm property and detached dwellings and con-
 tents.
 Term of policies..... Five years.
 Amount of premium paid in
 advance \$1 for first \$1,000; 75¢ for each additional
 \$1,000.
 Rate of assessment..... Per \$100 of insurance: 1904, none; 1905, 32¢;
 1906, 16¢; 1907, 20¢; 1908, 20¢.
 Method of transacting busi-
 ness..... An assessment is levied when a loss occurs if
 there is not sufficient funds on hand to pay
 same. Policyholder is required to sign ap-
 plication. Maximum risk, \$5,000.
 Management Officers are not bonded.

CLIFTON PARK AND HALFMOON MUTUAL FIRE INSURANCE ASSOCIATION

Home Office, Rexford Flats, N. Y., R. F. D.

Date of organization.....	March 23, 1878. Reorganized June 1, 1900.
Date of filing papers with secretary of state.....	July 2, 1900.
Towns in which business is transacted	Clifton Park and Halfmoon.
Officers and addresses:	
President	Fayette Baker, Mechanicsville, R. F. D., No. 2.
Vice-President	William A. S. Cassidy, Mechanicsville, R. F. D., No. 3.
Secretary	W. H. Van Vranken, Rexford Flats, R. F. D.
Treasurer	Rowland J. Wood, Jonesville.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$286 56

INCOME

Assessments other than paid in advance.....	\$889 65
Amount of any other receipts.....	143 00
Total income	1,032 65
	<u>\$1,319 21</u>

DISBURSEMENTS

Amount of losses paid.....	\$77 00
Officers' salaries	184 80
Office expenses	2 00
All other expenses, printing, etc.	587 20
Total disbursements	851 00
Balance	<u>\$468 21</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	551.
Amount.....	\$927,067.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance averages past five years. 29¢.
Method of transacting busi- ness.....	An assessment is levied after each loss. Policy- holder is required to sign the application. Maximum risk, \$3,000.
Management	Treasurer is bonded for \$6,000. Directors re- ceive \$1.50 for each application.

CO-OPERATIVE FIRE INSURANCE COMPANY OF
HARTFORD

Home Office, Hartford, N. Y.

Date of organization.....	April 3, 1886.
Date of filing papers with secretary of state.....	April 3, 1886.
Town in which business is transacted	Hartford.
Officers, addresses and sala- ries per year:	
President	E. B. Norton, Hartford, N. Y., none.
Vice-President	A. C. Gibbs, Hartford, N. Y., none.
Secretary and Treasurer.	L. G. Maynard, Hartford, N. Y., \$1.50 per policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$42 50
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INCOME

Advance premiums	\$92 00	
Assessments	615 00	
Total income		707 00
		<u>\$749 50</u>

DISBURSEMENTS

Losses	\$615 00	
Secretary's fees	69 00	
Other expenses	14 60	
Total disbursements		698 60
Balance		<u>\$50 90</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	236.
Amount	\$452,090.
Classes of property insured.	Farm property and detached dwellings 95 feet distant.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance averages last five years. 9¢.
Method of transacting busi- ness	An assessment is levied whenever a loss occurs. Policyholder is required to sign the applica- tion. Maximum risk, \$4,000.
Management	Secretary-treasurer is bonded in the sum of \$500.

THE CROWN POINT TOWN FIRE INSURANCE COMPANY

Home Office, Crown Point, N. Y.

Date of organization.....	July 20, 1898.
Date of filing papers with secretary of state.....	July 26, 1898.
Town in which business is transacted	Crown Point.
Officers, addresses and sala- ries:	
President	Hiram T. Sisson, Ironville, N. Y., none.
Vice-President	Carlton Russell, Crown Point, N. Y., none.
Secretary and Treasurer.	W. S. Green, Crown Point, N. Y., commissions.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$104 23

INCOME

Advance premiums or assessments.....	\$367 76	
Other receipts	12 00	
Total income		379 76
		\$484 04

DISBURSEMENTS

Officers' salaries	\$109 25	
Office expenses	9 45	
Total disbursements		118 70
Balance		\$365 34

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	152.
Amount	\$192,875.
Classes of property insured.	Farms and detached dwellings in villages.
Term of policies.....	Five years.
Rate of assessment.....	Per \$100 of insurance: 17.2¢ since organization.
Method of transacting busi- ness	Whenever money is needed to pay losses an as- sessment is levied. Policyholders are required to sign applications. Maximum risk written \$4,000.
Management	Treasurer is bonded for \$1,000; he receives 25 commission \$1.50 per each policy written.

DRYDEN AND GROTON MUTUAL FIRE INSURANCE COMPANY

Home Office, Etna, N. Y.

Date of organization.....	March 28, 1860.
Towns in which business is transacted	Dryden and Groton.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1057

Officers, addresses and salaries:

President	John G. Cobb, Groton, N. Y., \$2 per day.
Secretary	Bradford Snyder, Etna, N. Y., \$2 per day and 50¢ per policy.
Treasurer	Theron Johnson, Dryden, N. Y., \$2 per day.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,104 75

INCOME

Advance premiums or assessments.....	\$1,834 52
Other assessments	5,781 33
Borrowed money	4,100 00
Other receipts	13 35

Total income 11,729 20

DISBURSEMENTS

Losses paid	\$6,365 47
Officers' salaries	1,197 20
Borrowed money repaid.....	4,100 00
All other expenses.....	1,171 28

Total disbursements 12,833 95

MISCELLANEOUS INFORMATION

Insurance in force:

Number of policies.....	1,640.
Amount	\$3,011,095.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	One to five years.
Amount of premium paid in advance	1/6, 1/4 or 1/3 of 1 per cent. and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: Yearly average not to exceed 10¢.

Method of transacting business

All property insured is divided into three classes, the premium rate being based thereon. An assessment is levied usually October 1st of each year to pay previous losses and expenses. Policyholder is required to sign application. Maximum risk, \$5,000.

Management

Treasurer is bonded for \$5,000; he receives 2 per cent. of moneys disbursed by him.

EASTON MUTUAL FIRE INSURANCE COMPANY

Home Office, North Easton, N. Y.

Date of organization..... April 7, 1858.

Date of filing papers with secretary of state..... 1858.

Town in which business is transacted Easton.

Officers, addresses and salaries:

President	Albert Slocum, Greenwich, N. Y., none.
Vice-President	John Egerton, Greenwich, N. Y., none.
Secretary and Treasurer.	L. G. Snell, Greenwich, N. Y., fees.

1058 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Advance premiums or assessments.....	\$224 67	
Assessments other than paid in advance.....	42 14	
Total income		\$266 81

DISBURSEMENTS

Losses	\$91 30	
Other expenses	17 80	
Total disbursements		109 10
Balance		<u>\$157 71</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	570.
Amount	\$867,276.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100, \$1 survey fee and 25¢ application fee.
Rate of assessment.....	Secretary states that it is impossible to furnish this data.
Method of transacting business	An assessment is levied after each loss unless the loss be too small, when money is borrowed and repaid by next assessment. Policyholder is required to sign application.
Management	Officers are not bonded. Secretary receives 25¢ for each policy issued, and as treasurer, 2 per cent. for collecting assessments and 1 per cent. of other money disbursed.

FARMERS' CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF THE TOWNS OF CLAY, CAMILLUS, LYSANDER AND VAN BUREN

Home Office, Baldwinsville, N. Y.

Date of organization.....	July 2, 1881.
Date of filing papers with secretary of state.....	August 22, 1881.
Towns in which business is transacted	Clay, Camillus, Lysander and Van Buren.
Officers, addresses and salaries per year:	
President	F. W. Fenner, Baldwinsville, N. Y., \$200.
Secretary and Treasurer.	Otis M. Bigelow, \$60 and policy fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$1,647 35
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INCOME

Assessments	\$3,016 19
Loans	1,200 00
All other receipts	1,722 66
Total income	\$5,938 85
	<u>\$7,586 20</u>

DISBURSEMENTS

Losses paid	\$3,236 02
Officers' salaries	200 00
Office expenses	67 65
All other expenses	2,141 63
Total disbursements	5,645 30
Balance	<u>\$1,940 90</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,290.
Amount	\$3,017,260.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	20¢ per \$100 and \$1 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1904, 50¢; 1905, \$2; 1906, \$1; 1907, \$1.50; 1908, \$1.
Method of transacting business	An assessment is levied about October 20th of each year to pay previous losses and expenses, and if directors deem it for best interests of association for more than enough to pay same. Any borrowed money is repaid from this assessment. Policyholder is required to sign the application. Maximum risk, \$7,000.
Management	None of the officers are bonded. Directors receive \$1 for writing applications.

FARMERS' FIRE INSURANCE ASSOCIATION OF THE TOWNS OF GREENVILLE, DURHAM, WESTERLO AND RENSSELAERVILLE

Home Office, Freehold (R. F. D.), N. Y.

Date of organization.....	January 9, 1855.
Date of filing papers with secretary of state.....	Organized originally by special act, but reorganized May 14, 1889.
Counties in which business is transacted	Greene and Albany.
Officers, addresses and salaries per year:	
President	Nathaniel Teed, Rensselaerville, N. Y., \$25.
Secretary and Treasurer..	A. D. Gibson, Freehold, N. Y., \$200.

1060 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$462 99

INCOME

Advance premiums	\$758 08	
Assessments other than paid in advance.....	3,251 44	
Total income		4,009 52

DISBURSEMENTS

Losses	\$2,571 58	\$4,472 51
Officers' salaries	225 00	
Rebate	9 30	
Other expenses	146 00	
Total disbursements		2,951 88

Balance		<u>\$1,520 63</u>
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MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,290.
Amount	\$1,871,950.
Classes of property insured.	Farm and village property.
Term of policies.....	One and five years.
Rate of assessment.....	Per \$100 of insurance: Last five years, 20¢ per year.
Method of transacting business	Assessment levied each year to pay previous losses and expenses and a balance to pay future losses. Maximum risk written, \$3,000. Policyholder required to sign application or have it signed by his order.
Management	The secretary-treasurer is bonded for \$2,000. Directors acting as agents receive \$1 for \$2,000 policy or less, and 5¢ per \$100 over \$2,000.

THE FARMERS' FIRE RELIEF ASSOCIATION OF THE TOWNS OF POMPEY AND FABIUS

Home Office, Delphi Falls, N. Y.

Date of organization.....	January 31, 1880.
Date of filing papers with secretary of state.....	April 1, 1880.
Towns in which business is transacted	Pompey and Fabius.
Officers, addresses and salaries:	
President	John J. Howe, Manlius, N. Y., \$2 per day.
Secretary	William H. Savage, Delphi Falls, N. Y., commission.
Treasurer	William L. Hamilton, Fabius, N. Y., none.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1061

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$5 07

INCOME		
Assessments	\$234 17	
Policy fees	148 00	
Total income		382 17
DISBURSEMENTS		
Losses paid	\$15 00	
Officers' salaries	2 00	
Office expenses	26 63	
All other expenses.....	111 00	
Total disbursements		154 63
Balance		<u>\$232 61</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	359.
Amount	\$542,292.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 37.26¢; 1905, 13.77¢; 1906, 3.83¢; 1907, 3.35¢; 1908, 2.9¢.
Method of transacting business	An assessment is levied when losses occur and any borrowed money is repaid from this assessment. Policyholder is required to sign application. Maximum risk, \$3,500.
Management	Officers are not bonded. Secretary receives 50¢ for each policy issued. Director taking the application receives \$1.

FARMERS' INSURANCE COMPANY OF TOWN OF MINDEN

Home Office, Fort Plain, N. Y.

Date of organization.....	October 12, 1861.
Town in which business is transacted	Minden, N. Y.
Officers, addresses and salaries per year:	
President	J. W. Moyer, Fort Plain, N. Y., none.
Secretary	Isaac Zoller, Fort Plain, N. Y., policy fee.
Treasurer	G. D. Cronkhite, Fort Plain, N. Y., none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$286 59

1062 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

INCOME

Assessments other than paid in advance.....	\$260 13
Total	<u>\$546 72</u>

DISBURSEMENTS

Losses	\$127 50
Adjuster's fees	16 00
Other expenses	50 10
Total disbursements	<u>193 60</u>
Balance	<u><u>\$353 12</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	520.
Amount	\$1,439,760.
Classes of property insured.	Farm property, churches, schoolhouses and detached dwellings in villages.
Term of policies.....	From three months to five years.
Amount of premium paid in advance	Premium note for 5 per cent. of amount of insurance and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 1.26¢; 1905, 6.1¢; 1906, 2.3¢; 1907, 18.1¢; 1908, 1.3¢.
Method of transacting business	An assessment is made after a loss to pay loss, and in addition a small amount as an emergency fund. Policyholders are required to sign applications. Maximum risk written, \$4,000.
Management	None of the officers are bonded. All policies issued by secretary, who has general charge of the business.

FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION OF THE TOWN OF CATSKILL, N. Y.

Home Office, Catskill, N. Y.

Date of organization.....	March 8, 1856.
Towns in which business is transacted	Catskill and Athens.
Officers, addresses and salaries per year:	
President	Joseph McGiffert, Athens, N. Y., none.
Secretary and Treasurer..	L. C. Austin, Catskill, N. Y., fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 14, 1908.....	\$508 03
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INCOME	
Assessments	\$910 90
Interest	17 16
All other receipts.....	36 97
Total income	<u>\$965 03</u>
	\$1,473 06
DISBURSEMENTS	
Losses paid	\$639 89
All other expenses	70 24
Total disbursements	<u>710 13</u>
Balance	<u>\$762 93</u>

MISCELLANEOUS INFORMATION	
Insurance in force:	
Number of policies.....	495.
Amount	\$615,103.
Classes of property insured.	Farm property, detached dwellings and contents, and other detached buildings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1905, \$1.76; 1906, \$2.12; 1907, nothing; 1908, \$1.65. Average for 10 years, \$2.17.
Method of transacting business	An assessment is levied when a loss occurs exceeding the balance on hand. An amount in excess of the losses and expenses is usually added to maintain a small reserve fund. Policyholder is required to sign application. Maximum risk, \$2,000.
Management	Officers are bonded for \$300 each. Secretary receives \$1 policy fee on new business and 50¢ on renewals for issuing policies. Directors receive the same compensation for applications.

THE FARMERS' MUTUAL FIRE INSURANCE COMPANY

Home Office, Fort Ann, N. Y.

Date of organization.....	May 14, 1898.
Date of filing papers with secretary of state.....	May 14, 1898.
Town in which business is transacted	Fort Ann.
Officers, addresses and salaries:	
President	John Sullivan, jr., Sandy Hill, N. Y., none.
Vice-President	Norman McMoon, Fort Ann, N. Y., none.
Secretary and Treasurer..	E. B. Washburn, Fort Ann, N. Y., \$1.50 for each policy written and 75¢ for any change made.

1064 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$134 02

INCOME

Policy fees	\$186 00
Transfers	11 00
Assessments	701 30
Interest	2 58
Total income	900 88

\$1,034 90

DISBURSEMENTS

Losses paid	\$650 00
Office expenses, clerk hire, etc.....	15 65
Transfers	8 25
Policy fees	139 50
Total disbursements	813 40

Balance \$221 50

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	275.
Amount	\$354,739.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee of \$2.
Rate of assessment.....	Per \$100 of insurance: 1904, 15¢; 1905, 17¢; 1906, 7¢; 1907, 34¢; 1908, 20¢.
Method of transacting business	An assessment is levied after each loss providing there is not enough money on hand to pay the loss. Such assessment must not be for more than \$100 over the amount of the loss. Policyholder is required to sign the application. Maximum risk written, \$3,000.
Management	Treasurer is bonded in the sum of \$2,000. The directors receive no commission.

FARMERS' MUTUAL FIRE INSURANCE COMPANY

Home Office, Fort Edward, N. Y.

Date of organization.....	March 14, 1889.
Date of filing papers with secretary of state.....	April, 1889.
Town in which business is transacted	Fort Edward.
Officers, addresses and salaries:	
President	T. W. Ellis, Fort Edward, N. Y., nothing.
Vice-President	W. C. McDougall, Fort Edward, N. Y., nothing.
Secretary	J. H. Hopkins, Fort Edward, N. Y., \$1.50 per policy.
Treasurer	U. G. Ellis, Fort Edward, N. Y., nothing.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1065

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME	
Policy fees	\$52 00
DISBURSEMENTS	
Officers' salaries	\$39 00
Postage, etc.	2 72
Total disbursements	41 72
Balance	\$10 28

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	118.
Amount	\$201,422.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee, \$2.
Rate of assessment.....	Per \$100 of insurance: 1904, 42.6¢; 1905, none; 1906, none; 1907, none.
Method of transacting business	An assessment is levied whenever a loss occurs of any considerable amount. Not more than \$50 ever borrowed. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	Secretary and treasurer are bonded for \$5,000 each.

FARMERS' MUTUAL INSURANCE COMPANY OF MILAN, PINE PLAINS AND STANFORD

Home Office, Stanfordville, N. Y.

Date of organization.....	February 17, 1883.
Towns in which business is transacted	Milan, Pine Plains and Stanford.
Officers and addresses:	
President	Edwin Phillips, Red Hook, N. Y., R. F. D.
Vice-President	Cyrus F. Morehouse, Red Hook, N. Y., R. F. D.
Secretary and Treasurer..	Charles B. Simmons, Stanfordville, N. Y., R. F. D.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$121 00

INCOME	
Advance premiums	\$278 13
Assessments other than paid in advance.....	1,178 88
Back assessments and membership fees.....	48 20
Vacant permits	3 00
Total	1,508 21
	<u>\$1,629 27</u>

1066 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses	\$1,319 09
Officers' salaries	112 75
Rebates on policies	14 70
Note and interest	107 52
Other expenses	39 48
Total disbursements	<u>\$1,583 54</u>
Balance	<u>\$85 73</u>

MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908:

Number of policies.....	576.
Amount	\$1,001,294.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	One to five years.
Amount of premium paid in advance	Class A, 10¢ per \$100, 5 years; Class B, 20¢ per \$100, 5 years; Class C, 20¢ per \$100, 1 year. \$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 22½¢; 1905, 20¢; 1906, none; 1907, 10¢; 1908, 15¢; 1909, 48¢.
Method of transacting business	An assessment is levied once a year, usually in October, to pay previous losses and expenses. Property insured is divided into three classes: "A," farm buildings; "B," blacksmith shops, churches, schoolhouses and contents; "C," stores and mills and contents. The last class pays a double assessment. Policyholder is required to sign application. Maximum risk, \$4,000.
Management	Treasurer is bonded for \$3,000, acts as secretary and agent and receives \$1 for making survey and 50¢ for each policy issued.

FARMERS' TOWN MUTUAL INSURANCE COMPANY

Home Office, Red Hook, N. Y.

Date of organization.....	August 13, 1879.
Town in which business is transacted	Red Hook.
Officers, addresses and salaries per year:	
President	Henry S. Elting, Tivoli, N. Y., 25¢ each policy.
Vice-President	Theo. F. Cookingham, Red Hook, N. Y., nothing.
Secretary and Treasurer..	R. Dudley Kerley, Red Hook, N. Y., \$1.50 each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$117 96
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INCOME	
Receipts from all sources.....	\$793 82
DISBURSEMENTS	
Losses paid	\$665 00
Officers' salaries	12 00
Office expenses	24 50
Total disbursements	701 50
Balance	\$210 28

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	117.
Amount	\$253,115.
Classes of property insured.	Farm property, detached dwellings and mercantile risks.
Term of policies.....	One and three years.
Amount of premium paid in advance	Farm property, etc., \$1 per \$1,000 for 3 years; mercantile risks, \$2 per \$1,000 for 1 year and \$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1907, 31¼¢; 1908, 23¼¢. No assessment made for 6 years prior to 1907.
Method of transacting business	When a loss occurs and sufficient funds are not on hand to pay same an assessment is levied. Mercantile risks are assessed for twice as much as farm risks. Policyholder is required to sign application. Maximum risk, \$3,500.
Management	Treasurer gives a bond for \$1,000; he receives 1 per cent. of assessments collected.

FARMERS' TOWN MUTUAL INSURANCE COMPANY
OF CLINTON

Home Office, Stanfordville, N. Y.

Date of organization.....	April 19, 1884.
Town in which business is transacted	Clinton.
Officers, addresses and salaries per year:	
President	L. G. Graham, Salt Point, N. Y., \$10.
Secretary and Treasurer..	Duane Story, Stanfordville, \$1 each policy written.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$23 85
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INCOME	
Assessments other than paid in advance.....	\$1,225 72
Policy fee and percentage.....	198 63
Total receipts	1,424 35
	\$1,448 20

1068 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses paid	\$1,263 87
Officers' salaries	122 94
All other expenses	25 34
Total disbursements	\$1,412 15
Balance	\$36 05

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	368.
Amount	\$614,935.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100; 50¢ policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 25¢; 1905, 20¢; 1906, 35¢; 1907, none; 1908, 60¢. Average since organization, 15.6¢.
Method of transacting business	If necessary, an assessment is levied in October or November of each year to secure funds to pay the losses and expenses for the following year. Any borrowed money is repaid by this assessment. Policyholder is required to sign the application. Maximum risk, \$4,000.
Management	Treasurer is bonded for \$3,000.

FARMERS' TOWN MUTUAL INSURANCE COMPANY OF RHINEBECK, N. Y.

Home Office, Rhinebeck, N. Y.

Date of organization.....	1880.
Date of filing papers with secretary of state.....	1880.
Town in which business is transacted	Rhinebeck.
Officers and addresses:	
President	Robert M. Greene, Rhinebeck, N. Y.
Secretary	Charles R. Traver, Rhinebeck, N. Y.
Treasurer	Henry J. Lown, Rhinebeck, N. Y.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$350 31

INCOME

Advance premiums or assessments.....	\$107 06
Assessments other than paid in advance.....	336 65
Interest	6 64
Total receipts	450 35
	\$800 66

DISBURSEMENTS	
Losses	\$597 47
Officers' salaries	61 31
Office expenses	2 50
Other expenses	4 00
Total disbursements	\$665 28
Balance	\$135 38

MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908;

Number of policies.....	130.
Amount	\$340,220.
Classes of property insured.	Farm property.
Term of policies.....	Three years.
Amount of premium paid in advance	\$1 per \$1,000 and 50¢ policy fee. Membership fee, \$1.
Rate of assessment.....	Per \$100 of insurance: Only four assessments levied since organization, totaling 95¢.
Method of transacting business	An assessment is levied when necessary. Association has never borrowed any money. Maximum risk written, \$3,000. Policyholder required to sign application.
Management	None of the officers has given a bond, although by-laws require treasurer to give a bond for \$3,000.

FRANKLIN FIRE INSURANCE COMPANY

Home Office, Franklin, N. Y.

Date of organization.....	May 7, 1881.
Date of filing papers with secretary of state.....	August, 1881.
Town in which business is transacted	Franklin.
Officers and addresses:	
President	Elias L. Jackson, Franklin, N. Y.
Secretary	William C. Cole, Franklin, N. Y.
Treasurer	Charles E. Bartlett, Franklin, N. Y.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$10 67
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INCOME

Advance premiums or assessments.....	\$231 04
Assessments other than paid in advance.....	578 36

Total income

1070 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Losses	\$635 10
Officers' salaries	158 41
Other expenses	15 00
Total disbursements	<u>\$808 51</u>
Balance	<u>\$11 56</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	375.
Amount	\$733,640.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1.30 for first \$1,000 and 10¢ for each additional \$100.
Rate of assessment.....	Per \$100 of insurance: Average annual amount since organization, 11½¢.
Method of transacting business	An assessment is levied each year, usually in October, to pay previous losses and expenses. Policyholder is required to sign application.
Management	Officers are not bonded. Directors receive 50¢ for taking applications and 1 per cent. for collecting assessments. Secretary receives 10¢ for each policy issued.

GALWAY FIRE INSURANCE COMPANY

Home Office, Galway N. Y.

Date of organization.....	January 12, 1858.
Date of filing papers with secretary of state.....	January 27, 1888.
Town in which business is transacted	Galway.
Officers, addresses and salaries:	
President	Peter Anderson, Cranesville, N. Y., R. D., No. 1, none.
Vice-President	Henry Hill, Galway, N. Y., R. D., No. 1, none.
Secretary and Treasurer..	Robert Shaw, Galway, N. Y., \$1 per policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908.

Balance on hand January 1, 1908.....	\$67 48
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INCOME	
Advance premiums	\$103 50
Back taxes collected	7 03
Total income	<u>110 53</u>
	<u>\$178 01</u>

DISBURSEMENTS

Officers' salaries	\$69 00
Other expenses	11 93
Total disbursements	<u>\$80 93</u>
Balance	<u><u>\$97 08</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	250.
Amount	\$382,080.
Classes of property insured.	Farm property and detached dwellings and buildings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 26¢; 1905, 10¢; 1906, 27¢; 1907, 10¢; 1908, nothing.
Method of transacting business	An assessment is levied when a loss occurs and sufficient funds are not on hand to pay the same. Policyholder is required to sign application. Maximum risk, \$3,000.
Management	Treasurer is bonded for \$2,500.

GERMAN MUTUAL FIRE INSURANCE ASSOCIATION
OF WELLSVILLE, ALLEGANY COUNTY, N. Y.

Home Office, Wellsville, N. Y.

Date of organization.....	March 10, 1902.
Date of filing papers with secretary of state.....	July 11, 1902.
Towns in which business is transacted	Alma, Bolivar, Wellsville, Amity, Willing, Scio, Angelica, Allen, Hume, Caneadea.
Officers, addresses and salaries per year:	
President	Christ E. Harms, Wellsville, none.
Vice-President	Fred E. Gallman, Wellsville, none.
Secretary	G. Fleischmann, Wellsville, \$25 and 15¢ per policy.
Treasurer	Herman Vollrath, Wellsville, \$5.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$47 06
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INCOME

Advance assessments or premiums.....	311 86
	<u>\$358 72</u>

1072 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Losses paid	\$152 00
Officers' salaries	30 00
Office expenses	50 60
All other expenses	30 23
Total disbursements	<u>\$262 93</u>
Balance	<u>\$95 89</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	196.
Amount	\$213,100.
Classes of property insured.	Property belonging to members of German Evangelical Lutheran, Trinity congregation of Wellsville and Evangelical Lutheran, St. Paul's congregation of Allen.
Term of policies	One and three years.
Amount of premium paid in advance	15¢ per \$100.
Rates	Farm property, 40¢; village property, 50¢, 60¢, 75¢ and \$1.
Method of transacting business	An assessment is levied whenever a loss occurs or there is not enough money on hand to pay expenses. No assessment made for past two years. Each year the policyholder pays 10 per cent. of the rate per \$100 of insurance. Policyholders are required to sign the applications. Maximum risk written, \$2,000.
Management	Treasurer is bonded for \$500.

GERMAN MUTUAL INSURANCE COMPANY OF WAYLAND

Home Office, Cohocton, N. Y.

Date of organization.....	January, 1879.
Date of filing papers with secretary of state.....	November 13, 1893.
Towns in which business is transacted	Wayland, Cohocton, South Dansville and Free-mont.
Officers, addresses and salaries:	
President	Charles Sick, Cohocton, N. Y., per diem.
Secretary	Jacob Neu, Cohocton, N. Y., per diem.
Treasurer	Chris Miller, Cohocton, N. Y., per diem.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1906

Balance on hand January 1, 1908..... \$446 45

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1073

INCOME

Insurance during the year 1908, premiums.....	\$62 71
Assessment during the year 1908	1, 876 10
Reinsurance	5, 436 35

Total receipts	\$7, 375 16
	<u>\$7, 821 61</u>

DISBURSEMENTS

Losses paid	\$1, 907 67
Officers' salaries	655 18
All other expenses	45 35

Total disbursements	2, 608 20
Balance	<u><u>\$5,213 41</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	741.
Amount	\$2,173,350.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	25¢ per \$100 and 15¢ policy fee.
Rate of assessment.....	Per \$100 of insurance: Years 1903, 1904, 1905, 1906, 1907, nothing; 1908, 10¢.
Method of transacting business	An assessment is levied when a loss occurs and there is not sufficient funds on hand to pay the same. Policyholder is required to sign the application.
Management	Treasurer is bonded for \$5,000 and collectors for \$1,000 each. Officers receive \$2 per day for services performed for association.

GRANVILLE CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Granville, N. Y.

Date of organization.....	May 14, 1888.
Date of filing papers with secretary of state.....	May 22, 1888.
Town in which business is transacted	Granville.
Officers, addresses and salaries per year:	
President	Amos C. Potter, Granville, N. Y., \$6.
Vice-President	George W. Lee, Granville, N. Y., \$6.
Secretary	George F. McCotter, Middle Granville, \$1.50 per policy.
Treasurer	F. M. Mason, Middle Granville, none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$211 34
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1074 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

INCOME	
From policies, etc.....	\$130 55
	<u>\$341 89</u>

DISBURSEMENTS	
Losses paid	\$278 30
Adjusting losses and all other expenses.....	49 15
	<u>327 45</u>
Total disbursements	327 45
Balance	<u><u>\$14 44</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	386.
Amount	\$548,249.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1907, 16¢; 1908, nothing.
Method of transacting business	An assessment is levied when a loss occurs unless the loss is small, and then money is borrowed and repaid from next assessment. No assessment is for more than \$200 over losses and expenses. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	Secretary is bonded for \$1,000 and treasurer for \$2,000.

GREENWICH TOWN FIRE INSURANCE COMPANY

Home Office, Greenwich, N. Y.

Date of organization.....	June 5, 1891.
Date of filing papers with secretary of state.....	June 5, 1891.
Town in which business is transacted	Greenwich.
Officers and addresses:	
President	Duane M. Hall, Greenwich, N. Y.
Secretary and treasurer..	O. W. Tefft, Greenwich, N. Y., \$1 for each policy written.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$8 77
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INCOME	
Assessments other than paid in advance.....	\$2,050 63
Policy fees	204 00
Other receipts	153 75
	<u>2,408 38</u>
Total income	<u>\$2,417 15</u>

DISBURSEMENTS	
Losses	\$2,017 10
Officers' fees and commissions	140 00
Office expenses	23 51
Paid money borrowed with interest	151 80
Total disbursements	<u>\$2,332 41</u>
Balance	<u><u>\$84 74</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies	393.
Amount	\$622,672.50.
Classes of property insured	farm property, dwellings, barns and contents.
Term of policies	Five years or less.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment	Per \$100 of insurance: 1904, 37.8¢; 1905, 10¢; 1906, nothing; 1907, 40¢; 1908, 33.3¢.
Method of transacting business	An assessment is levied whenever losses occur. For small losses money is sometimes borrowed and repaid by next assessment. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	Officers are not bonded. Of the application fee of \$2, \$1 goes to the secretary and the other \$1 is paid into treasury.

HAMDEN MUTUAL INSURANCE COMPANY

Home Office, Hamden, N. Y.

Date of organization	June 28, 1873.
Town in which business is transacted	Hamden.
Officers, addresses and salaries per year:	
President	Arthur Shaw, Hamden, nothing.
Secretary	John B. Mable, Hamden, 50¢ for each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908	\$166 56
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DISBURSEMENTS	
Losses	\$85 00
Printing, postage, etc.	32 32
Total disbursements	<u>117 32</u>
Balance	<u><u>\$49 24</u></u>

1076 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	308.
Amount	\$589,185.
Classes of property insured.	Farms and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee, \$1.
Rate of assessment.....	Per \$100 of insurance: 1904, 15¢; 1906, 15¢; 1907, 15¢; 1909, 10¢.
Method of transacting business	Assessment levied whenever losses require. Usually assess for a little more than enough to pay existing losses. All assessments collected in full. Policyholder is required to sign application.
Management	Officers not bonded. Directors receive 50¢ for each policy written.

HEBRON MUTUAL FIRE INSURANCE COMPANY

Home Office, West Hebron, N. Y.

Date of organization.....	June, 1877.
Town in which business is transacted	Hebron, Washington county, N. Y.
Officers, addresses and salaries per year:	
President and Treasurer..	Philip McEashron, West Hebron, N. Y.
Secretary	J. E. McClellan, West Hebron, N. Y., \$1 each policy written.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$173 06

INCOME

For policies issued during 1908.....	\$178 00
Balance of unpaid tax for 1906.....	6 00
Total receipts	184 00
	<u>\$357 06</u>

DISBURSEMENTS

Losses paid	\$188 65
Officers' salaries	89 00
Office expenses, clerk hire etc.....	7 00
All other expenses	41 00
Total disbursements	325 65
Balance	<u>\$31 41</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	393.
Amount	\$632,435.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 a policy.
Rate of assessment.....	Per \$100 of insurance: 1905, 33¢; 1906, 18¢; 1907 and 1908, nothing.
Method of transacting business	An assessment is levied whenever necessary to pay a loss. On small losses money is borrowed and repaid by next assessment. Policyholder is required to sign application. Maximum risk, \$3,000.
Management	Officers are not bonded. The secretary acts as the agent and receives \$1 for each policy written.

HOOSICK CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Hoosick Falls, N. Y.

Date of organization.....	February 2, 1895.
Date of filing papers with secretary of state.....	February 26, 1895.
Town in which business is transacted	Hoosick.
Officers, addresses and salaries:	
President	Josiah Richmond, Hoosick Falls, N. Y., none.
Secretary	H. D. C. Osborn, Hoosick Falls, N. Y., 50¢ each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Assessments	\$3,064 05
Permits and changes	10 00
All other receipts	36 75
Total receipts	\$3,110 80

DISBURSEMENTS

Losses paid	\$3,064 05
Office expenses	23 50
All other expenses	22 83
Total disbursements	3,110 38
Balance	\$0 42

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	288.
Amount	\$705,425.
Classes of property insured.	Farm property, detached dwellings and contents, schoolhouses, churches and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1904, 98¢; 1905, nothing; 1906, \$1.62; 1907, \$2.43; 1908, \$4.17.
Method of transacting business	An assessment is levied whenever a loss occurs. Policyholder is required to sign the application.
Management	Officers are not bonded. Secretary receives 2 per cent. for making and collecting assessments. Agent receives \$1 for taking application.

JACKSON FIRE INSURANCE COMPANY

Home Office, Cambridge, N. Y.

Date of organization.....	April 17, 1857.
Town in which business is transacted	Jackson.
Officers, addresses and salaries:	
President	Henry C. Carter, Coila, N. Y., 2 per cent. for collecting assessments.
Secretary	Joseph Foster, Cambridge, \$1.50 for each policy issued.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand, January 1, 1908..... \$227 91

INCOME

Advance premiums or assessments.....	\$1,005 80
Interest	6 27
All other receipts	19 90
Total income	1,031 97

\$1,259 83

DISBURSEMENTS

Losses paid	\$1,141 18
Officers' salaries (commissions).....	20 11
Printing, postage, etc.....	8 14
Total disbursements	1,169 43
Balance	\$90 45

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	141.
Amount	\$301,035.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 30¢; 1905, nothing; 1906, 12¢; 1907, 15¢; 1908, 25¢.
Method of transacting business	An assessment is levied when a loss occurs and sufficient funds are not on hand to pay the same. Policyholder is required to sign the application. Maximum risk, \$4,000.
Management	None of the officers are bonded.

THE KINDERHOOK AND STUYVESANT MUTUAL FIRE INSURANCE COMPANY

Home Office, Niverville, N. Y.

Date of organization.....	Organized as a voluntary association January 3, 1883.
Date of filing papers with secretary of state.....	June, 1891.
County in which business is transacted	Columbia.
Officers, addresses and salaries per year:	
President	John S. Baker, Schodack Landing, N. Y., none.
Secretary	Jasper A. Smith, Niverville, N. Y., \$50.
Treasurer	Wallace B. Rowe, Valatie, N. Y., 2 per cent. of moneys collected.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$546 17
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INCOME

Advance premiums or assessments	\$122 01
Assessments other than paid in advance.....	3,199 00
Other receipts	300 00
Total income	3,621 01

DISBURSEMENTS

Losses	\$3,377 10
Officers' salaries: Secretary \$50, directors \$14, treasurer's fees \$42.32.....	106 32
Rebates	14 43
Note and interest	304 50
Other expenses	22 39
Total disbursements	3,824 74
Balance	\$342 44

1080 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	458.
Amount	\$677,677.50.
Classes of property insured.	Farm property, and detached dwellings in villages.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ on each \$100 of insurance and 50¢ policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 10¢; 1905, 15¢; 1906, 42¢; 1907, 25¢; 1908, 10¢.
Method of transacting business	An assessment is levied whenever necessary to pay previous loss and expenses. Policyholders are required to sign the applications. Maximum risk written, \$2,000. Association has reinsured one policy.
Management.....	Treasurer has given a bond.

THE LIVINGSTON TOWN INSURANCE COMPANY

Home Office, Livingston, N. Y.

Date of organization.....	1858.
Date of filing papers with secretary of state.....	March 23, 1898 (reorganized).
Town in which business is transacted	Livingston.
Officers, addresses and salaries per day:	
President	Livingston Crofts, Linlithgo, N. Y., \$1.50.
Secretary	Geo. R. Carhart, Livingston, N. Y., \$1.50.
Treasurer	David S. Proper, Humphreyville, N. Y., \$1.50.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$197 67

INCOME

Assessments other than paid in advance.....	\$1,647 99
Membership fees and premiums.....	204 39
Total receipts	1,852 38

DISBURSEMENTS

Losses paid	\$1,900 00
All other expenses	170 86
Total disbursements	2,070 86
Deficit	\$20 81

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	319.
Amount	\$542,538.
Classes of property insured.	Farm property, detached dwellings and contents, stores, hotels, churches, schoolhouses, etc., and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	Class No. 1, \$1 per \$1,000; No. 2, \$5 per \$1,000; policy fee, \$1.
Rate of assessment.....	Per \$100 of insurance: 1904, 55¢; 1905, 43¢; 1906, 25¢; 1908, 32¢.
Method of transacting business.....	All risks divided into two classes: Class 1. Farm buildings and detached dwellings and contents. 2. Stores, hotels, churches, schoolhouses, public buildings and contents. An assessment is levied whenever a loss occurs. Policyholder is required to sign application. Class 1, maximum risk, \$6,000; class 2, maximum risk, \$3,000.
Management	Treasurer is bonded for \$1,000, secretary for \$200 and double amount collected on assessments. Directors receive 50¢ for each policy written by them.

MALTA FIRE INSURANCE COMPANY

Home Office, Malta, N. Y.

Date of organization.....	April 23, 1859.
Town in which business is transacted	Malta, N. Y.
Officers, addresses and salaries per year:	
President	J. E. Collamer, Malta, N. Y., none.
Secretary	F. J. Riley, Malta, N. Y., for each policy written, 50¢.
Treasurer	F. J. Riley, Malta, N. Y., on all money collected and disbursed, 2 per cent.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$296 62

INCOME

Advance premiums or assessments	\$21 56
Policy and application fees.....	81 00
Interest on \$250 deposit	7 50
Total income	110 06
	\$406 68

1082 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Amount of losses paid	\$275 56
Officers' expenses	81 00
Postage	2 00
All other expenses	41 18
Total disbursements	<u>\$399 74</u>
Balance	<u>\$6 94</u>

MISCELLANEOUS INFORMATION	
Insurance in force December 31, 1908:	
Number of policies.....	198.
Amount	\$264,985.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	5¢ on each \$100 and 50¢ policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 10¢; 1905, nothing; 1906, 28¢; 1907, nothing; 1908, nothing; 1909, 23¢.
Method of transacting business	Property insured is divided into four classes. An assessment is levied when a loss occurs for a sufficient amount to pay the loss and leave a small surplus to pay running expenses. Policyholder is required to sign application. Maximum risk written, \$3,000.
Management	Secretary and treasurer are bonded for \$2,500 each. Agents receive \$1 for each application written and accepted.

THE MUTUAL INSURANCE ASSOCIATION OF NASSAU, SCHODACK AND CHATHAM

Date of organization.....	January, 1856.
Towns in which business is transacted	Nassau, Schodack and Chatham.
Officers, addresses and salaries per year:	
President	Calvin Van Salisbury, Nassau, none.
Secretary	Abel Merchant, Nassau, \$200.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$451 98
INCOME	
Premiums or assessments	\$5,464 76
Total income	<u>5,464 76</u>
	<u>\$5,916 64</u>

DISBURSEMENTS	
Losses, salaries, expenses, etc.....	\$5,192 80
Total disbursements	<u>\$5,192 80</u>
Balance	<u><u>\$723 84</u></u>

MISCELLANEOUS INFORMATION.

Insurance in force:	
Number of policies.....	906.
Amount	\$1,703,180.
Classes of property insured	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	20¢ per \$100 of insurance and 75¢ policy fee.
Rate of assessment.....	Per \$100 of insurance, class 1, average 17½¢ per year; classes 2, 3 and 4, two, three and four times that, respectively.
Method of transacting business:	Property insured is divided into four classes and rate of assessment based on classification. Assessments are made when necessary to pay previous losses. Maximum risk written, \$2,000.
Management	Secretary has general charge of affairs. No agents are employed. Officers are not bonded.

THE NEW BALTIMORE MUTUAL INSURANCE ASSOCIATION

Home Office, New Baltimore, N. Y.

Date of organization.....	January 23, 1855.
Date of filing papers with secretary of state.....	June 21, 1887.
Towns in which business is transacted	New Baltimore and Cocksackie.
Officers, addresses and salaries per year:	
President	J. K. Hotaling, Ravena, N. Y., none.
Vice-President	C. J. Lisk, West Cocksackie, N. Y., none.
Secretary and Treasurer.	C. W. Mackey, Cocksackie, N. Y., commissions.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908	\$244 59
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INCOME	
Advance premiums or assessments.....	\$280 84
Assessments other than paid in advance.....	5,300 66
Policy fees	247 50
All other receipts	<u>15 27</u>
Total income	<u>5,844 27</u>
	<u><u>\$6,088 86</u></u>

1084 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses paid	\$3,995 32
Officers' salaries or commissions	617 82
Office expenses, clerk hire, etc.	58 41
Rebates	15 94

Total disbursements \$4,687 49

Balance \$1,401 37

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	773.
Amount	\$1,344,080.
Classes of property insured.	Farm property, detached dwellings, school-houses and churches.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100 and \$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 15¢; 1905, 15¢; 1906, 15¢; 1907, 40¢; 1908, 40¢; 1909, 40¢.
Method of transacting business	An assessment is levied whenever it is deemed necessary by the executive committee. The assessments pay previous losses and expenses and create a surplus. Policyholder is required to sign application. Maximum risk written, \$5,000.
Management	Secretary-treasurer is bonded for \$5,000. He receives as a fee \$1.50 for each policy issued and 50¢ for each transfer. For making out and collecting assessments he receives 5 per cent. of same. Three collectors receive 2 per cent. of what they collect.

NEW SCOTLAND MUTUAL INSURANCE COMPANY

Home Office, Voorheesville, N. Y.

Date of organization.....	1854.
Town in which business is transacted	New Scotland.
Officers and addresses:	
President	E. Hotaling, Jerusalem, N. Y.
Vice-President	A. E. Oliver, Voorheesville, N. Y.
Secretary and Treasurer.	Frank Van Auken, Voorheesville, N. Y.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$402 91

INCOME

Assessment (1907)	\$141 83
Policy fees	306 00

Total income

447 83

\$850 74

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1085

DISBURSEMENTS

Losses paid	\$503 66
Agents' commissions	143 50
Directors' fees	30 00
All other expenses	98 38
Total disbursements	<u>\$775 54</u>
Balance	<u>\$75 20</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	648.
Amount	\$1,195,178.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee up to \$2,000, \$2; over \$2,000, \$3.
Rate of assessment.....	Per \$100 of insurance, average for past five years: First class, 18.4¢; second, 23¢; third, 27.6¢.
Method of transacting business	An assessment is levied after each loss to pay same. Policyholder is required to sign application. Property insured is divided into three classes and rate of assessment based thereon.
Management	Secretary-treasurer bonded for \$5,000, and directors bonded in the same amount.

OLIVE CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF ULSTER COUNTY

Home Office, West Shokan, N. Y.

Date of organization.....	May, 1896.
Date of filing papers with secretary of state.....	May, 1896.
County in which business is transacted	County of Ulster.
Officers, addresses and salaries per year:	
President	J. V. Merrihew, Olive Bridge, N. Y., \$15.
Secretary	Joseph S. Hill, West Shokan, N. Y., 75¢ each policy written.
Treasurer	D. N. Mathews, West Shokan, N. Y., \$15.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,614 97

INCOME

Advance premiums	\$5,615 90
Policy fees	987 00
Interest	73 34
Total income	<u>6,676 24</u>
	<u>\$8,291 21</u>

1086 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses paid	\$2,478 84
Officers' salaries	30 00
Office expenses, etc.....	55 00
Return premiums on cancelled policies.....	197 04
Policy fees	987 00
All other expenses	169 81
Total disbursements	<u>\$3,917 69</u>
Uncollected premiums or assessments Dec. 31, 1908.....	\$4,373 52
Balance	294 48
	<u><u>\$4,079 04</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,867.
Amount	\$2,445,000.
Classes of property insured.	Farm property, isolated dwellings, churches and schoolhouses.
Term of policies.....	Practically all three years.
Amount of premium paid in advance	50¢ and 75¢ per \$100 and an expense fee of \$1.50.
Rate of assessment.....	No assessment ever levied.
Method of transacting business	All risks divided into two classes: 1. Dwellings and contents; rate, 50¢. 2. Barrs, churches, schoolhouses and contents; rate, 75¢. Premium must be paid within thirty days from issuance of policy. Policyholder is required to sign application. Maximum risk written, \$5,000.
Management	Secretary is bonded for \$3,000 and treasurer \$5,000. Directors receive 75¢ for each policy written by them.

PUTNAM TOWN FIRE INSURANCE COMPANY

Home Office, Putnam, N. Y.

Date of organization.....	June 23, 1896.
Date of filing papers with secretary of state.....	August 6, 1896.
Town in which business is transacted	Putnam.
Officers, addresses and salaries per year:	
President	J. D. Graham, Putnam, nothing.
Secretary	G. E. Ledgerwood, Putnam, 75¢ for each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$53 13
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INCOME

Premiums	\$53 00
Total income	<u>53 00</u>
	<u>\$106 13</u>

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1087

DISBURSEMENTS

Officers' salaries	\$22 50
Other expenses	25 25
Total disbursements	<u>\$47 75</u>
Balance	<u><u>\$58 38</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	104.
Amount	\$111,747.
Classes of property insured.	Farm property.
Term of policies.....	One to five years.
Amount of premium paid in advance	\$1 for \$500 or less; 10¢ for each additional \$100 up to \$1,000, and 5¢ for each \$100 over that amount.
Rate of assessment.....	Since organization would not exceed .6¢ per \$100.
Method of transacting business	An assessment levied after each loss. Maximum policy, \$7,000. Policyholder is required to sign application.
Management	Officers are not bonded.

SALEM MUTUAL TOWN FIRE INSURANCE COMPANY

Home Office, Salem, N. Y.

Date of organization.....	March 9, 1898.
Date of filing papers with secretary of state.....	March 21, 1898.
Town in which business is transacted	Salem.
Officers, addresses and salaries:	
President	Geo. M. Foster, Shushan, N. Y., nothing.
Secretary and Treasurer..	D. H. Safford, Salem, N. Y., \$1 for each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$1 47
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INCOME

Assessments other than paid in advance.....	\$2,114 30
All other receipts	94 00
Total income	<u>2,208 30</u>

DISBURSEMENTS

Losses paid	\$1,910 50
Officers' salaries	48 00
All other expenses	133 06
Total disbursements	<u>2,091 56</u>
Balance	<u><u>\$118 21</u></u>

1088 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	229.
Amount	\$482,300.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 35¢; 1905, 25¢; 1906, 12¢; 1907, 27¢; 1908, 34¢.
Method of transacting business	An assessment is levied when there is a loss and there is not enough money on hand to pay the same. Policyholder is required to sign the application.
Management	The secretary-treasurer is the only agent and receives for his services \$1 for each policy issued. He gives no bond.

THE SCHAGHTICOKE MUTUAL FIRE INSURANCE COMPANY

Home Office, Schaghticoke, N. Y.

Date of organization.....	1857.
Date of filing papers with secretary of state.....	May 27, 1887.
Town in which business is transacted	Schaghticoke, N. Y.
Officers, addresses and salaries per year:	
President	J. Irving Baums, Schaghticoke, none.
Secretary	G. W. Dunham, Schaghticoke, fees.
Treasurer	Schuyler Hayner, Valley Falls, none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,119 00

INCOME

Advance premiums or assessments	\$87 79	
Amount of any other receipts.....	27 04	
Total income		114 83
		<u>\$1,233 83</u>

DISBURSEMENTS

Amount of losses paid	\$1,135 00	
Officers' salaries, secretary's fees.....	11 00	
Office expenses, stamps, etc.....	13 39	
All other expenses, printing, etc.....	66 93	
Total disbursements		1,226 32
Balance		<u>\$7 51</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	181.
Amount	\$337,454.50.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ on each \$100, \$1 survey fee and 25¢ for policy fee.
Rate of assessment.....	Per \$100 of insurance: average for last 28 years, 23.3¢.
Method of transacting business	An assessment is levied whenever there is a loss to pay loss and expenses. Policyholder is required to sign application. Maximum risk, \$3,000.
Management	Treasurer is bonded for \$2,000. Receives 2 per cent. of assessments collected. Secretary receives the survey fee of \$1 and policy fee 25¢.

THE SHARON, SEWARD AND CARLISLE CO-OPERATIVE INSURANCE COMPANY

Home Office, Sharon Center, N. Y.

Date of organization.....	January 22, 1881.
Date of filing papers with secretary of state.....	September 6, 1894.
Towns in which business is transacted	Sharon, Seward and Carlisle.
Officers, addresses and salaries per year:	
President	Seth Parsons, Sharon Springs, N. Y., \$100.
Vice-President	John H. Sternberg, Seward, N. Y., none.
Secretary and Treasurer..	George A. Parsons, Sharon Center, N. Y., \$150.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$681 50
INCOME	
Advance premiums or assessments.....	309 50
	<u>\$991 00</u>
DISBURSEMENTS	
Losses paid	\$468 48
Officers' salaries	214 33
All other expenses	55 43
Total disbursements	<u>738 24</u>
Balance ..	<u><u>\$252 76</u></u>

1090 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	966.
Amount	\$1,856,842.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	From one to five years.
Amount of premium paid in advance	25¢ per \$100 on hop insurance for ninety days. All policies, \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 11¢; 1905, nothing; 1906, 10¢; 1907, nothing; 1908, 22¢.
Method of transacting business	An assessment is levied yearly if losses warrant the same, and any borrowed money is repaid by this assessment. Policyholder is required to sign the application. Maximum risk, \$7,000.
Management	Secretary-treasurer is bonded for twice the amount of each assessment. Agents receive the \$1 policy fee.

SPRINGFIELD CO-OPERATIVE INSURANCE COMPANY

Home Office, East Springfield, N. Y.

Date of organization.....	February 17, 1886.
Date of filing papers with secretary of state.....	February 2, 1887.
Town in which business is transacted	Springfield.
Officers, addresses and salaries per year:	
President	George H. Basinger, East Springfield, N. Y. nothing.
Secretary and Treasurer.	S. A. Seward, East Springfield, N. Y., fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$61 25

INCOME

Assessments other than paid in advance.....	\$2,249 00	
Total income		2,249 00
		<u>\$2,310 25</u>

DISBURSEMENTS

Losses	\$1,649 79	
Officers	57 25	
Note and interest.....	238 50	
Other expenses	24 90	
Total disbursements		1,970 44
Balance		<u><u>\$339 81</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	258.
Amount	\$422,175.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	One to five years.
Amount of premium paid in advance	\$1 application fee to agent.
Rate of assessment.....	Per \$100 of insurance: 1900, 10¢; 1901, 42½¢; 1905, 10¢; 1908, 62½¢.
Method of transacting business	An assessment is levied whenever the needs of association require. For small losses money is borrowed and repaid by next assessment. Of ten assessments levied average amount collected 98 4/5 per cent. Policyholder is required to sign application. Maximum risk. \$3,000.
Management	Secretary receives 25¢ for each policy issued and in addition a fair compensation for making assessments, etc.

WALTON CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Walton, N. Y.

Date of organization.....	October, 1888.
Date of filing papers with secretary of state.....	November 5, 1888.
Town in which business is transacted	Walton.
Officers, addresses and salaries per year:	
President	Geo. S. Tacy, Walton, N. Y., \$2 per day.
Vice-President	S. L. McClelland, Walton, N. Y., \$2 per day.
Secretary	W. R. Hall, \$50 year, \$2 per day.
Treasurer	C. W. Shepard, 1 per cent. and \$2 per day.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$127 49

INCOME

Advance premiums	\$141 00
Borrowed money (notes)	325 00
Total income	466 00
	<u>\$593 49</u>

1092 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS		
Losses paid	\$301 10	
Officers' salaries	200 17	
Office and all other expenses.....	62 60	
Total disbursements		\$563 87
Balance		\$29 62

MISCELLANEOUS INFORMATION	
Insurance in force:	
Number of policies.....	436.
Amount	\$766,574.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	Application fee \$1.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$5; 1905, \$2; 1906, \$4; 1907, nothing; 1908, nothing.
Method of transacting business	An assessment is levied only when necessary to pay losses. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	Treasurer is bonded for \$5,000. Officers are paid per diem for actual services.

THE WHITE CREEK FIRE INSURANCE COMPANY

Home Office, Eagle Bridge, N. Y.

Date of organization.....	February 17, 1895.
Date of filing papers with secretary of state.....	February 27, 1895.
Town in which business is transacted	White Creek.
Officers, addresses and salaries:	
President and Treasurer.	John C. Cottrell, Eagle Bridge, N. Y., 1 per cent. for collecting assessments.
Secretary	Henry R. Perry, Eagle Bridge, \$1 each policy.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$34 82
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INCOME	
Policy fees	48 00
	\$132 82

DISBURSEMENTS		
Losses paid	\$41 00	
Printing, etc.	11 00	
Commissions	24 00	
Total disbursements		76 00
Balance		\$56 82

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	140.
Amount	\$307,319.
Classes of property insured.	Farm property.
Term of policies.....	One to five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: Past three years, estimated to average between 60¢ and 70¢.
Method of transacting business	An assessment is levied when a loss occurs. Property insured is divided into two classes, and rate of assessment is based thereon. Policyholder is required to sign the application. Maximum risk, \$7,000.
Management	None of the officers are bonded. Directors receive \$1 of the policy fee for writing application.

WOODSTOCK MUTUAL FIRE INSURANCE ASSOCIATION

Home Office, Zena, N. Y.

Date of organization.....	1893.
Date of filing papers with secretary of state.....	May 1, 1893.
Towns in which business is transacted	Woodstock and parts of Hurley and Saugerties.
Officers, addresses and salaries:	
President	L. N. Harder, Woodstock, N. Y., \$2 per day when employed.
Secretary	C. L. Shufelt, Zena, N. Y., \$1 each policy.
Treasurer	F. Shultis, Bearsville, N. Y., \$40 per year.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$6,012 95

INCOME

Advance premiums	\$1,200 68
Policy fees	131 95
Interest on investments	145 51
Total income	1,478 14
	<u>\$7,490 09</u>

DISBURSEMENTS

Losses ..	\$1,145 00
Officers' salaries	211 00
Rebates and return premiums	41 12
Other expenses	76 40
Total disbursements	1,473 52
Balance ..	<u><u>\$6,017 57</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December
31, 1908:

Number of policies.....	512.
Amount	\$578,064.
Classes of property insured.	Farm property, detached dwellings, buildings and contents.
Term of policies.....	One, two and three years.
Amount of premium paid in advance	60¢ per \$100 for three years, and policy fee 75¢.
Rate of assessment.....	No assessment ever levied.
Method of transacting busi- ness	An advance premium is charged, and it has been sufficient to pay the cost of insurance, as no extra assessment has ever been levied. Policyholder is required to sign the applica- tion. Maximum risk, \$2,000.
Management	Secretary and treasurer are bonded for \$1,000 each.

GRANGE ASSOCIATIONS

THE FOLLOWING TWENTY-ONE REPORTS OF GRANGE ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE ASSOCIATIONS ORGANIZED BY MEMBERS OF THE TOWN OR COUNTY GRANGES AND WHOSE PRESENT POLICYHOLDERS ARE ALL MEMBERS OF THE GRANGE

CATTARAUGUS COUNTY PATRONS' MUTUAL FIRE RELIEF ASSOCIATION

Home Office, Conewango, N. Y.

Date of organization.....	March 15, 1897.
Date of filing papers with secretary of state.....	January 29, 1897.
Counties in which business is transacted	Cattaraugus and Allegany.
Officers, addresses and sala- ries per year:	
President	D. F. Reeves, Steamburg, \$25.
Secretary	Charles C. Mason, Conewango, \$250.
Treasurer	G. Murray Brown, \$10.

FINANCIAL EXHIBIT FOR YEAR ENDING JANUARY 12, 1909

Balance on hand January 14, 1908..... \$590 01

INCOME

Assessments	\$3,731 19
Directors	252 50

Total receipts	3,983 69
	<u>\$4,573 70</u>

DISBURSEMENTS

Losses paid	\$4,905 82
Officers' salaries	285 00
Office expenses	367 05
All other expenses.....	84 62
Erroneous assessment	14 70

Total disbursements	
Deficit	

\$4,907 18
\$1.00

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	952.
Amount	\$2,032,397.
Classes of property insured.	Farm property belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 20¢; 1906, 30¢; 1907, 20¢; 1908, 20¢.
Method of transacting business	Assessment levied on June 15th of each year to pay losses and expenses previously incurred, and in addition an estimated amount to pay losses and expenses for balance of year. Maximum risk, \$2,000. Policyholder required to sign application.
Management	The secretary is bonded for \$2,000 and the treasurer for \$3,000. Directors receive the policy fee.

THE CHAUTAUQUA COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Stedman, N. Y.

Date of organization.....	August 24, 1877.
Date of filing papers with secretary of state.....	May 23, 1882.
County in which business is transacted	Chautauqua.
Officers, addresses and salaries per year:	
President	E. F. Lake, Sinclairville, none.
Secretary	Jared Hewes, Stedman, N. Y., \$650.
Treasurer	Geo. S. Griffith, Dewittville, \$25.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$11,426 30

INCOME

Amount for applications.....	\$5,185 09
Amount for assessments.....	8,059 51
Interest	129 06
Total income	13,373 66

DISBURSEMENTS

Losses and adjustments.....	\$20,313 87
Officers' salaries and directors' bills.....	2,751 96
Office expenses	700 47
Rebates	334 25
Total disbursements	24,100 55

Balance \$699 41

MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908:

Number of policies..... 4,514.

Amount \$8,887,047.

Classes of property insured. Farm property and detached dwellings belonging to members of grange.

Term of policies..... Five years.

Amount of premium paid in advance 1/6 to 1/9 of 1 per cent. and \$1 policy fee.

Rate of assessment..... Per \$100 of insurance: 1904, 20¢; 1905, 25¢; 1906, 25¢; 1907, 10¢; 1908, 10c.

Method of transacting business An assessment is levied on April 15th of each year to pay previous loss and expenses and estimated losses and expenses for balance of year. Property insured is divided into seven classes, and the amount paid in advance is based on this classification. Policyholder is required to sign the application. Maximum risk, \$7,000.

Management Secretary is bonded for \$20,000 and the treasurer for \$5,000.

CLINTON COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Wadhams, N. Y.

Date of organization..... January 16, 1903.

Date of filing papers with secretary of state..... April 30, 1903.

Counties in which business is transacted Clinton and Essex.

Officers, addresses and salaries per year:

President H. C. Hayford, Champlain, N. Y., fees.

Secretary R. W. Eggleston, Wadhams, N. Y., \$500.

Treasurer J. C. Fairbanks, Rouses Point, N. Y., percentage.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,320 83

INCOME

Advance premiums or assessments..... \$2,761 23

Assessments other than paid in advance..... 5,341 94

Borrowed money 1,700 00

Total income 9,803 17

DISBURSEMENTS

Losses paid \$3,280 00

Officers' salaries 1,193 38

All other expenses..... 1,287 77

Total disbursements

Balance

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,590.
Amount	\$3,028,944.
Classes of property insured.	Farm property and detached property in villages belonging to members of grange.
Term of policies.....	Three years.
Amount of premium paid in advance	$\frac{1}{4}$ of 1 per cent. and \$1 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$1; 1905, nothing; 1906, \$1.50; 1907, \$3.50; 1908, \$2.
Method of transacting business	An assessment is levied on October 1st of each year to pay losses and expenses incurred and to leave about \$1,000 in the treasury. All risks have same rate. Policyholder is required to sign application. Maximum risk written, \$4,000.
Management	Secretary and treasurer are bonded in the sum of \$5,000 each. Director receives the \$1 policy fee as commission. President receives 25¢ for each policy signed by him. Treasurer receives 3 per cent. of all premiums collected and 1 per cent. of assessments.

CORTLAND COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Cortland, N. Y.

Date of organization.....	December 13, 1881.
Date of filing papers with secretary of state.....	March 26, 1883.
Counties in which business is transacted	Cortland and Cayuga.
Officers, addresses and salaries:	
President	F. J. Collier, Preble, \$2 per day.
Secretary and Treasurer.	N. F. Webb, Cortland, 50¢ each policy and 1 per cent. losses paid.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$613 85

INCOME

Advance premiums or assessments.....	\$811 77
Other assessments	6,689 45
Total income	7,501 22

DISBURSEMENTS

Losses paid	\$6,620 04
Officers' salaries	662 12
All other expenses.....	291 65
Total disbursements	7,573 81

Balance \$541 26

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,237.
Amount	\$2,734,275.
Classes of property insured.	Farm property and a few detached dwellings, belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	First class, 1/10 of 1 per cent.; second class, 1/2 of 1 per cent.; and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 40¢; 1905, 15¢; 1906, 12½¢; 1907, 5¢; 1908, 25¢.
Method of transacting business	An assessment is levied on November 1st to pay losses and expenses of previous year; any borrowed money is repaid from this assessment. Policyholder is required to sign application. Maximum risk, \$7,000.
Management.....	President is bonded for \$700, secretary-treasurer \$10,000, and directors \$500 to \$700 each. Directors receive the \$1 policy fee for writing applications.

THE DUTCHESS AND COLUMBIA PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Bangall, N. Y.

Date of organization.....	January 12, 1898.
Date of filing papers with secretary of state.....	December 8, 1897.
Counties in which business is transacted	Dutchess and Columbia.
Officers, addresses and salaries per year:	
President	E. J. Preston, Amenia, N. Y., \$50.
Secretary	Edwin Knickerbocker, Bangall, N. Y., \$611 in fees.
Treasurer	G. M. Slee, Millerton, N. Y., \$50.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$2,935 63

INCOME

Advance premiums	\$1,687 17
Assessments other than paid in advance.....	9,624 85
Other assessments (balance of 1907).....	236 16
Total income	11,548 18

DISBURSEMENTS

Losses paid	\$7,909 37
Officers' salaries	711 00
All other expenses.....	3,933 63

Total disbursements 12,554 00

Balance \$1,929 81

1100 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	2,701.
Amount	\$6,705,750.
Classes of property insured.	Farm property and detached risks belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 per \$1,000 and policy fee of \$1.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$1.70; 1905, \$1.86; 1906, \$2.95; 1907, \$3.24; 1908, \$1.50.
Method of transacting business	An assessment is levied in November of each year to pay previous losses and expenses; or if losses are light, for a little more than that amount. Any borrowed money is repaid by this assessment. Policyholder is required to sign the application. Maximum risk, \$3,000.
Management	Secretary and treasurer are bonded for \$5,000 each. Directors receive the \$1 policy fee for survey.

THE FIRE RELIEF ASSOCIATION OF WAYNE COUNTY

Home Office, Lyons, N. Y.

Date of organization.....	February 8, 1878.
Date of filing papers with secretary of state.....	August 9, 1882.
Counties in which business is transacted	Wayne, Monroe, Seneca, Ontario and Cayuga.
Officers, addresses and salaries per year:	
President	Albert Youmans, Walworth, N. Y., nothing.
Secretary	Andrew F. Sheldon, Lyons, N. Y., \$500.
Treasurer	Wm. H. Osborne, Clyde, N. Y., \$50.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$14,737 19

INCOME

Premiums or assessments.....	16,273 80
	<u>\$31,010 99</u>

DISBURSEMENTS

Losses paid	\$17,275 58
Officers' salaries	550 00
Office expenses	118 58
All other expenses.....	768 76
	<u>18,712 92</u>
Total disbursements.....	18,712 92
Balance	<u><u>\$12,298 07</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	3,721.
Amount	\$8,253,437.
Classes of property insured.	Farm property belonging to members of grange. Three grange halls in villages are insured.
Term of policies.....	Five years.
Amount of premium paid in advance	First class, \$1 per \$1,000; second class, \$1.25 per \$1,000; and \$1 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$1.50; 1905, \$1.50; 1906, \$2; 1907, \$2; 1908, \$1.50; 1909, \$2.
Method of transacting business	An assessment is levied on October 1st of each year to pay the estimated losses and expenses for the following year. Policyholder is required to sign the application. Maximum risk, \$5,000.
Management	The secretary is bonded in the sum of \$5,000 and the treasurer for \$10,000. Each director is bonded for \$1,000. Directors receive \$1 policy fee and 50¢ from association for writing applications.

GENESEE COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Batavia, N. Y.

Date of organization.....	May 3, 1877.
Date of filing papers with county clerk.....	December 13, 1879.
Counties in which business is transacted	Genesee, Monroe, Orleans, Wyoming and Erie.
Officers, addresses and salaries per year:	
President	J. O. Greene, Alexander, N. Y., \$1 per diem.
Secretary and Treasurer.	D. H. Pierson, LeRoy, N. Y., \$500.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$2,057 23

INCOME

Advance premiums or assessments.....	\$2,635 96
Other assessments	3,831 39
Total income	6,467 35

DISBURSEMENTS

Losses paid	\$5,595 55
Officers' salaries	1,079 11
Rebates	264 59
Office and all other expenses.....	169 42
Total disbursements	7,108 67
Balance	\$1,415 91

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,712.
Amount	\$3,900,082.
Classes of property insured.	Farm property belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	25¢ per \$100.
Rate of assessment.....	Per \$100 of insurance: 1904, 10¢; 1905, 15¢; 1906, 25¢; 1907, 10¢; 1908, 10¢.
Method of transacting business	An assessment is levied in October of year to pay previous losses and expenses and to leave \$1,000 in treasury. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	None of the officers are bonded. President and directors receive \$1.50 for actual services and while attending meetings.

JEFFERSON COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Watertown, N. Y.

Date of organization.....	May 27, 1877.
Date of filing papers with secretary of state.....	August 1, 1882.
Counties in which business is transacted	Jefferson and Lewis.
Officers, addresses and salaries per year:	
President	Ira Sharp, Lowville, N. Y., \$300.
Vice-President	O. E. Hinds, Watertown, N. Y., none.
Secretary	W. H. Vary, Watertown, N. Y., \$1,800.
Treasurer	Geo. E. Bull, Woodville, N. Y., \$300.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$16,346 09

INCOME

Advance premiums or assessments.....	\$7,454 34
Other assessments	13,745 86
Total income	21,200 20

DISBURSEMENTS

Losses paid	\$18,446 75
Officers' salaries	2,300 00
Office expenses, etc.	558 31
All other expenses.....	933 20

Total disbursements

Balance

\$15,308 83

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	6,658.
Amount	\$14,108,992.
Classes of property insured.	Farm property and a few detached dwellings in villages belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 per \$1,000, first class; \$3 per \$1,000, second class, and \$1 policy fee.
Rate of assessment.....	Per \$1,000 of insurance: 1904, \$2; 1905, \$1; 1906, \$2; 1907, \$1; 1908, \$1; 1909, \$1.
Method of transacting business	An assessment is levied in October of each year to pay any deficiency and to pay losses for following year. All borrowed money is paid at end of fiscal year. Policyholder is required to sign application. Maximum risk written, \$7,000.
Management	Secretary is bonded for \$5,000 and treasurer \$20,000. Secretary passes on applications and has general charge of affairs. Directors bonded for \$500 each, and receive \$1 for each application.

MONROE COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Honeoye Falls, N. Y.

Date of organization.....	April 1, 1877.
Date of filing papers with secretary of state.....	Jan. 10, 1880.
Counties in which business is transacted	Monroe, Genesee, Orleans, Ontario, Livingston and Wayne.
Officers, addresses and salaries per year:	
President	J. E. Miner, Brockport, N. Y., none.
Secretary and Treasurer.	R. C. Parrish, Honeoye Falls, N. Y., \$400.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$993 66

INCOME

Advance premiums	\$10,907 91
Assessments other than paid in advance.....	15,030 04
Interest	36 58
Borrowed money	4,500 00
Total income	30,473 53
	<u>\$31,468 19</u>

DISBURSEMENTS

Losses	\$16,685 53
Officers' salaries and expenses.....	701 52
Rebate on canceled policies.....	544 09
Interest	318 58
Paid borrowed money.....	7,518 00
Other expenses, printing, etc.	156 89
Total disbursements	<u>\$25,924 61</u>
Balance	<u><u>\$5,543 58</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908:

Number of policies..... 3,311.

Amount \$7,898,364.

Classes of property insured. Farm property and detached dwellings belonging to members of grange.

Term of policies..... Five years.

Amount of premium paid in advance 60¢ per \$100 and \$1 policy fee.

Rate of assessment..... Per \$100 of insurance: Five assessments levied since organization. 1890, 20¢; 1892, 20¢; 1894, 25¢; 1907, 12¢ on old policies, 6¢ on new; 1908, 20¢, on old, 15¢ on new.

Method of transacting business

The advance premium as a rule pays the cost of insurance, but since organization five assessments have been levied. These assessments pay losses and expenses. In some years the premium on renewals has been reduced. Maximum risk, \$7,000. Applications signed by policyholders.

Management Secretary passes on applications and issues policies. Secretary and treasurer each bonded for \$5,000. Directors receive \$1 policy fee as commission.

MONTGOMERY AND FULTON COUNTIES PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Canajoharie, N. Y.

Date of organization.....	December 3, 1891.
Date of filing papers with secretary of state.....	March 17, 1892.
Counties in which business is transacted	Montgomery, Fulton and Saratoga.
Officers, addresses and salaries per year:	
President	Jacob Saltsman, Fort Plain, N. Y., none.
Vice-President	S. D. Smith, Ballston Lake, N. Y., none.
Secretary	Wm. Van Wie, Canajoharie, N. Y., \$100.
Treasurer	Geo. H. Christman, St. Johnsville, N. Y., \$50.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1105

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$54 22

INCOME

Assessments 1,169 79

\$1,224 01

DISBURSEMENTS

Losses paid \$148 00
Officers' salaries 150 00
Note and interest..... 318 00
All other expenses..... 397 10

Total disbursements 1,013 10

Balance \$209 91

MISCELLANEOUS INFORMATION

Insurance in force:
Number of policies..... 482.
Amount \$907,418.
Classes of property insured. Farm property and detached dwellings, sixty feet distant, belonging to members of grange.
Term of policies..... Five years.
Amount of premium paid in advance Survey fee of \$1.
Rate of assessment..... Per \$1,000 of insurance: 1904, \$3.10; 1905, \$4; 1906, \$4; 1907, \$2.50; 1908, \$1.25.
Method of transacting business An assessment is levied October 1st of each year to pay the losses and expenses of the previous year. Policyholder is required to sign application.
Management Secretary bonded for \$500 and treasurer for \$5,000. Directors are bonded for double the amount of their collections.

THE ONONDAGA COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Marcellus, N. Y.

Date of organization..... March 27, 1883.
Date of filing papers with secretary of state..... June 29, 1883.
County in which business is transacted Onondaga.
Officers, addresses and salaries per year:
President James H. Lankton, Elbridge, none.
Secretary Clarence E. Hall, Marcellus, \$400.
Treasurer Frank Harvey, none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,943 40

1106 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

INCOME

Advance premiums or assessments.....	\$607 14	
Other assessments	4, 124 62	
Total income.....		\$4, 731 76

DISBURSEMENTS

Losses paid	\$3, 711 25	\$6, 675 16
Officers' salaries	603 85	
Office expenses	56 26	
All other expenses	65 00	
Rebates	44 96	
Borrowed money and interest.....	1, 665 90	
Total disbursements		6, 147 22

Balance	\$527 94
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MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	932.
Amount	\$2,194,336.
Classes of property insured.	Farm property and detached property in villages belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1.25 per \$1,000 and \$1 application fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 32¢; 1905, 36¢; 1906, 24¢; 1907, 12½¢; 1908, 20¢.
Method of transacting business	An assessment is levied in October of each year to pay previous losses and expenses, and any borrowed money is repaid from this assessment. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	Secretary and treasurer are bonded in the sum of \$5,000 each. Director receives the \$1 application fee for taking application and 1 per cent. for collecting assessments.

ONTARIO COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Canandaigua, N. Y.

Date of organization.....	June, 1877.
County in which business is transacted	Ontario.
Officers, addresses and salaries per year:	
President	John B. Hall, Canandaigua, N. Y., per diem.
Vice-President	E. L. Webster, Stanley, N. Y., per diem.
Secretary	Darwin McClure, Canandaigua, N. Y., \$500.
Treasurer	A. H. Dewey, Clifton Springs, N. Y., per diem

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1906

Balance on hand January 1, 1908.....	\$20 06
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INCOME

Advance premiums and fees.....	\$1,270 33	
Assessments other than paid in advance.....	8,669 85	
Total income.....		\$9,940 18

DISBURSEMENTS

Losses	\$7,596 76	\$9,960 24
Officers' salaries	1,402 50	
Office expenses	46 44	
Loan	750 00	
Rebates	10 87	
Interest	11 25	
Other expenses	84 46	
Total disbursements		9,902 28
Balance		\$57 96

MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908:

Number of policies..... 1,114.

Amount \$3,206,110.

Classes of property insured. Farm property and detached dwellings 100 feet distant, and contents, belonging to members of grange.

Term of policies..... Five years.

Amount of premium paid in advance 1/10 of 1 per cent. and \$1 policy fee.

Rate of assessment..... Per \$100 of insurance: Average annual rate since organization, 18¢.

Method of transacting business

Assessments are made to pay losses already incurred and to reimburse treasury for losses paid therefrom since last assessment. This method leaves in the treasury approximately \$2,000 after each assessment. Policyholder is required to sign application. Maximum risk, \$7,000.

Management Officers are not bonded. Directors receive \$1.50 for each application written and \$3 per day while employed.

THE OSWEGO COUNTY FIRE RELIEF ASSOCIATION

Home Office, Hannibal, N. Y.

Date of organization.....	March 20, 1878.
Date of filing papers with secretary of state.....	September 12, 1882.
Counties in which business is transacted	Oswego, Oneida and Cayuga.
Officers, addresses and salaries per year:	
President	W. D. Weeden, Fernwood, N. Y., \$50.
Secretary	P. A. Welling, Hannibal, N. Y., \$200.
Treasurer	C. A. May, Oswego, N. Y., \$25

1108 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$652 51

INCOME

Advance premiums \$2, 103 73
Assessments other than paid in advance..... 7, 594 54
Association note 1, 000 00

Total income 10, 698 27

DISBURSEMENTS

Losses paid \$7, 766 93
Officers' salaries 275 00
Office expenses, clerk hire, etc. 175 57
Association note 1, 000 00
All other expenses..... 562 16

\$11, 350 78

Total disbursements 9, 779 66

Balance \$1, 571 12

MISCELLANEOUS INFORMATION

Insurance in force:
Number of policies..... 2,987.
Amount \$4,955,090.
Classes of property insured. Farm property and detached dwellings and contents belonging to members of grange.
Term of policies..... Three years.
Amount of premium paid in advance 10¢ per \$100. New policies, \$1.50 policy fee; renewals, \$1 policy fee.
Rate of assessment..... Per \$100 of insurance: In each of last five years, 20¢.
Method of transacting business An assessment is levied in April and September to pay previous losses and expenses and any borrowed money is repaid by these assessments. Policyholder is required to sign application. Maximum risk, \$5,000.
Management None of the officers are bonded. The directors receive the policy fee for securing applications.

THE PATRONS' FIRE RELIEF ASSOCIATION OF STEUBEN AND LIVINGSTON COUNTIES

Home Office, Bath, N. Y.

Date of organization..... September 26, 1877.
Date of filing papers with secretary of state..... (Reorganized) February 1, 1881.
Countries in which business is transacted Steuben and Livingston.
Officers, addresses and salaries per year:
Acting President and Vice-President..... J. M. Kelley, Hornell, N. Y., \$50.
Secretary G. H. Carry, Bath, N. Y., \$350.
Treasurer Geo. W. Bundy, Bath, N. Y., \$10.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1109

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,100 52

INCOME

Advance premiums \$1,417 88
Assessments other than paid in advance..... 6,574 30
Total income 7,992 18

DISBURSEMENTS

Losses paid \$5,101 21
Officers' salaries 410 00
Office expenses, clerk hire, etc. 107 46
All other expenses..... 876 92
Total disbursements 6,495 59

Balance \$2,597 11

MISCELLANEOUS INFORMATION

Insurance in force:
Number of policies..... 2,125.
Amount \$3,924,000.
Classes of property insured. Farm property and detached dwellings belong-
ing to members of grange.
Term of policies..... Five years.
Amount of premium paid in advance 10¢ per \$100 and 50¢ policy fee.
Rate of assessment..... Per \$100 of insurance: 1904, 48¢; 1905, 18¢;
1906, 33¢; 1907, 20¢; 1908, 19¢.
Method of transacting busi- An assessment is levied when funds on hand
ness are not sufficient to pay losses, and then only
to pay previous loss and expenses. Same
rates for all risks. Policyholder is required
to sign application. Maximum risk written,
\$4,000.
Management Secretary and treasurer are bonded for \$5,000
each. Directors receive 50¢ for making sur-
vey.

THE PATRONS OF HUSBANDRY CO-OPERATIVE FIRE RELIEF ASSOCIATION OF THE COUNTY OF HERKIMER, STATE OF NEW YORK

Home Office, Herkimer, N. Y.

Date of organization..... June 4, 1889.
Date of filing papers with
secretary of state..... July 23, 1889.
Counties in which business is
transacted Herkimer; March 12, 1895, extended to Town
of Richfield, Otsego county.
Officers, addresses and sala-
ries per year:
President R. H. Smith, Frankfort, N. Y., \$25.
Vice-President Irving Eaton, Little Falls, N. Y., none.
Secretary E. G. Van Housen, Herkimer, N. Y., \$400.
Treasurer V. O. Phillips, Middleville, N. Y., \$25.

1110 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$698 90

INCOME

Advance premiums or assessments..... \$2,105 55
Assessments other than paid in advance..... 3,955 78
All other receipts..... 27 33

Total income 6,088 66

DISBURSEMENTS

Losses paid \$6,437 80
Rebate on policies canceled..... 197 06
Officers' salaries and commissions..... 652 00
Office expenses, etc. 50 33
All other expenses..... 225 18

Total disbursements 7,562 37

Deficit \$774 81

MISCELLANEOUS INFORMATION

Insurance in force:
Number of policies..... 1,482.
Amount \$4,055,774.
Classes of property insured. Farm property and detached dwellings in villages belonging to members of grange.
Term of policies..... Five years.
Amount of premium paid in advance 1/7, 1/6, 1/8 or 1/2 of 1 per cent. and \$1 survey fee.
Rate of assessment..... Per \$100 of insurance: 1904, 10¢; 1905, 10¢; 1906, 10¢; 1907, nothing; 1908, 10¢.
Method of transacting business All risks divided into four classes, the advance premium being based on class of risk. Whenever necessary an assessment is levied to pay losses incurred and estimated losses and expenses for year. Thirteen assessments levied since organization. Policyholders required to sign applications. Maximum risk written, \$7,000.
Management Treasurer is bonded for \$5,000 and secretary \$3,000. Directors receive \$1 survey fee from applicant and 50¢ policy fee from association.

PATRONS OF HUSBANDRY FIRE RELIEF ASSOCIATION OF ULSTER AND ORANGE COUNTIES

Home Office, Highland, N. Y.

Date of organization..... January 11, 1902.
Date of filing papers with secretary of state..... February 4, 1902.
Counties in which business is transacted Ulster, Orange and Rockland.
Officers, addresses and salaries per year:
President F. W. Vail, Milton, N. Y., \$100.
Secretary D. H. Merritt, Highland, N. Y., \$350.
Treasurer H. C. Cooley, Marlboro, N. Y., \$100.

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1111

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Advance premiums or assessments.....	\$6,451 12	
Due from directors.....	287 59	
Retained by directors for survey.....	479 60	
Total income		\$7,218 31

DISBURSEMENTS

Losses	\$7,171 27	
Officers' salaries	500 00	
Office expenses	42 25	
Returned premiums	123 84	
Discount on loans.....	60 00	
Retained by directors.....	479 60	
Total disbursements		8,376 96
Deficiency		\$1,158 65

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	1,683.
Amount	\$3,984,060.43.
Classes of property insured.	Farm property, detached dwellings and contents belonging to members of grange and other grange property.
Term of policies.....	Three years.
Amount of premium paid in advance	\$4 or \$5 per \$1,000 and \$1 application fee.
Rate of assessment.....	Only assessments levied since organization were December 31, 1908, for \$1 per \$1,000, and August 1, 1909, for \$2 per \$1,000.
Method of transacting business	Property insured is divided into two classes: 1. Occupied by owner. 2. Tenant farm property not under immediate supervision of owner. Rate on first class, $\frac{3}{8}$ of 1 per cent., and on second class $\frac{1}{2}$ of 1 per cent. An assessment is levied only when premiums fail to pay the losses. Policyholder is required to sign the application. Maximum risk, \$5,000.
Management	Secretary and treasurer are bonded for \$3,000 each. Directors receive \$1 from person making application and \$1 from association.

RENSSELAER COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Nassau, N. Y.

Date of organization.....	October 5, 1904.
Date of filing papers with secretary of state.....	January, 1905.
Counties in which business is transacted	Rensselaer and Albany.

1112 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Officers and addresses:

President	Henry J. Best, West Sand Lake, N. Y.
Vice-President	Walter B. Goold, East Nassau, N. Y.
Secretary	Edwin S. Comstock, Nassau, N. Y.
Treasurer	Irwin Craver, West Sand Lake, N. Y.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Advance premiums or assessments.....	\$14 57	
Assessments other than paid in advance.....	2,395 25	
Total income		\$2,409 82

DISBURSEMENTS

Losses	\$2,409 82	
Total disbursements		\$2,409 82
Amount of borrowed money unpaid December 31, 1908.....		\$2,250 00

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:

Number of policies.....	147.
Amount	\$332,104.
Classes of property insured.	Farm property belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100 and \$1 survey fee.
Rate of assessment.....	Per \$100 of insurance: 1905, nothing; 1906, 68¢; 1907, 72¢.

Method of transacting business

An assessment is levied once a year to pay previous losses and expenses, and any borrowed money is repaid from this assessment. Policyholder is required to sign the application. Maximum risk, \$5,000.

Management

Secretary and treasurer are bonded in the sum of \$5,000 each. Directors receive \$1 for making the survey.

ST. LAWRENCE COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Brushton, N. Y.

Date of organization.....	February 10, 1902.
Date of filing papers with secretary of state.....	February 14, 1902.
Counties in which business is transacted	St. Lawrence and Franklin.
Officers, addresses and salaries per year:	

President	H. C. Maine, Hermon, N. Y., 25¢ per policy.
Vice-President	F. A. Blood, Potsdam, N. Y., nothing.
Secretary	E. B. Dana, Brushton, N. Y., \$800.
Treasurer	B. F. Cliften, Canton, N. Y., \$200.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$30 45
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INCOME

Advance premiums or assessments.....	\$3,000 47
Other assessments	10,769 69
Borrowed money	23,407 68
Discount on losses paid.....	19 00
Total income	37,196 84

DISBURSEMENTS

Losses paid	\$19,326 08
Officers' salaries	2,818 37
Office expenses	119 97
All other expenses.....	13,822 86
Total disbursements	36,087 28

Balance	\$1,140 01
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MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	4,501.
Amount	\$10,356,301.
Classes of property insured.	Farm property, detached dwellings and contents belonging to members of grange and grange halls.
Term of policies.....	One to five years.
Amount of premium paid in advance	Five years, 1/10 of 1 per cent., and \$1 survey fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 19.3¢; 1905, 12¢; 1906, 26¢; 1907, 15¢; 1908, 24.7¢.
Method of transacting business	An assessment is levied on October 15th of each year to pay previous losses and expenses, and all borrowed money is repaid from this assessment. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	Secretary and treasurer are bonded for \$5,000 each. Director receives \$1 for making survey.

SENECA COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Kendaia, Seneca County, N. Y.

Date of organization.....	December 23, 1876.
Date of filing papers with secretary of state.....	June 6, 1887.
Counties in which business is transacted	Seneca, Schuyler and Ontario.
Officers and addresses:	
President	Chas. W. Cosad, Waterloo, N. Y.
Vice-President	Chas. M. Robinson, Fayette, N. Y.
Secretary	A. J. Bartlett, Kendaia, N. Y. No salary; but gets 50¢ for each policy written annually; per diem for other work.
Treasurer	John G. Pearson, Waterloo, N. Y.

1114 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,667 27

INCOME

Advance premiums	\$877 60
Assessments other than paid in advance.....	7,954 90
Amount of any other receipts.....	290 97
Total income	9,123 47

\$10,790 74

DISBURSEMENTS

Amount of losses paid.....	\$6,728 20
Officers' salaries, secretary only, writing 330 policies.....	165 00
Office expenses, postage, etc.	157 92
All other expenses.....	945 07
Total disbursements	7,546 19

Balance	<u>\$3,244 55</u>
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MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:

Number of policies..... 1,562.

Amount \$3,563,825.

Classes of property insured. Farm property and detached dwellings belonging to members of grange.

Term of policies..... Five years and shorter.

Amount of premium paid in advance 1/10, 1/8, 1/6 or 1/7 of 1 per cent. and \$1 policy fee.

Rate of assessment..... Per \$100 of insurance: 1904, 7.2¢; 1905, 15¢; 1906, 27.1¢; 1907, 31.4¢; 1908, 20.4¢.

Method of transacting business Property insured is divided into four classes and advance premium based thereon. An assessment is levied on October 1st of each year to pay previous and anticipated losses and expenses. Policyholder is required to sign application. Maximum risk on any one building, \$2,000.

Management Secretary and treasurer are bonded for \$5,000 each, directors for \$500 each. Directors receive \$1 policy fee for each application and 2 per cent. of assessments collected by them.

TOMPKINS, SCHUYLER AND TIOGA COUNTIES PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Newfield, N. Y.

Date of organization.....	July 5, 1876.
Date of filing papers with secretary of state.....	June 24, 1887.
Counties in which business is transacted	Tompkins, Schuyler, Tioga, Cayuga and Seneca.
Officers, addresses and salaries per year:	
President	F. W. Carman, Trumansburg, N. Y., No. 33, \$50.
Secretary	J. C. Thompson, Newfield, N. Y., No. 26, 15¢ on each \$1,000 of risks.
Treasurer	G. H. Hopkins, Ithaca, N. Y., No. 7, \$50.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$2,521 67

INCOME

Advance premiums or assessments.....	\$556 99
Assessments other than paid in advance.....	3,960 42
Received on assessment No. 25 (1907).....	37 09
Interest on surplus money.....	27 50

Total income 4,582 00

DISBURSEMENTS

Losses	\$4,543 31
Officers' salaries	768 43
Office expenses	5 00
Paid unearned premium.....	12 67
Interest on borrowed money.....	27 55
Other expenses	66 87

Total disbursements 5,423 83

Balance \$1,679 84

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	1,288.
Amount	\$2,310,330.
Classes of property insured.	Farm or village property belonging to members of grange.
Term of policies.....	Five years.
Amount of premium paid in advance	1/10, 1/9 or 1/8 of 1 per cent.
Rate of assessment.....	Per \$100 of insurance: 1904, 12½¢; 1905, 17½¢; 1906, 17½¢; 1907, 15¢; 1908, 15¢.
Method of transacting business	An assessment is levied in October of each year to pay previous losses and expenses, and to raise a surplus not to exceed 10 per cent. of amount of risks. Maximum risk written, \$5,000. Policyholders are required to sign applications.
Management	Secretary and treasurer bonded for \$5,000 each. Directors bonded for \$1,000 each.

THE WESTCHESTER AND PUTNAM PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Putnam Valley, N. Y.

Date of organization.....	February 16, 1900.
Date of filing papers with secretary of state.....	April 19, 1900.
Counties in which business is transacted	Westchester and Putnam.
Officers, addresses and sala- ries per year:	
President	Willis A. Ganong, Mahopac, N. Y., nothing.
Secretary and Treasurer.	Wm. M. Barger, jr., Putnam Valley, N. Y., \$75.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908	
Deficit January 1, 1908.....	\$28 93

INCOME

Advance premiums or assessments.....	\$139 50
Assessments other than paid in advance.....	1,025 50
Overdue premiums	43 35
All other receipts	1,898 29
Total income	3,106 64

\$3,077 71

DISBURSEMENTS

Losses paid	\$2,877 50
Officers' salaries	75 00
All other expenses.....	65 88
Total disbursements	3,018 38

Balance	\$59 33
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MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	194.
Amount	\$455,425.
Classes of property insured.	Farm property belonging to members of grange.
Term of policies.....	Three years.
Amount of premium paid in advance	\$1 for each \$1,000 and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1903, 45¢; 1904, 1905, 1906, nothing; 1907, 50¢; 1908, 25¢.
Method of transacting busi- ness'	An assessment is generally levied after the an- nual meeting to pay previous losses and ex- penses. This assessment repays any borrowed money. Policyholder is required to sign ap- plication. Maximum risk, \$3,000.
Management	Secretary-treasurer is bonded for \$5,000. Di- rectors receive the \$1 policy fee for writing applications.

COUNTY ASSESSMENT ASSOCIATIONS

THE FOLLOWING TWENTY-NINE REPORTS OF COUNTY ASSESSMENT ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE ASSOCIATIONS WHOSE TERRITORY COMPRISES ONE OR MORE COUNTIES AND IN WHICH, AS A GENERAL RULE, AN ASSESSMENT IS LEVIED ONCE A YEAR ON ALL THE POLICYHOLDERS TO PAY LOSSES AND EXPENSES

ALLEGANY COUNTY FARMERS' CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Alfred, N. Y.

Date of organization.....	April 3, 1887.
Date of filing papers with secretary of state.....	June 13, 1887.
County in which business is transacted	Allegany.
Officers, addresses and sala- ries per year:	
President	E. Bartlett, Belfast, N. Y., \$100.
Vice-President	J. E. Middaugh, Belmont, N. Y., none.
Secretary	Charles Stillman, Alfred, N. Y., \$600.
Treasurer	L. M. Wait, Friendship, N. Y., \$100.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,255 67

INCOME

Assessments other than paid in advance.....	\$9,257 46
Temporary loans	14,250 00
Policy fees and percentage.....	1,060 99
Total income	24,568 45

DISBURSEMENTS

Losses	\$14,687 47	\$25,824 12
Officers' salaries	1,234 22	
Office expenses	370 10	
Rebate on policies canceled.....	6 11	
Temporary loans paid.....	7,550 00	
Total disbursements	23,847 90	
Balance	\$1,976 22	

1118 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	2,958.
Amount	\$5,434,900.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Three years.
Amount of premium paid in advance	10¢ per \$100 of insurance and 50¢ as policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 32.5¢; 1905, 30¢; 1906, 22.5¢; 1907, 27.5¢; 1908, 16¢; 1909, 35¢.
Method of transacting business	An assessment is levied on May 20th of each year to pay previous losses and expenses, and any borrowed money is repaid from this assessment. Maximum risk, \$3,000.
Management	Secretary and treasurer are bonded for \$10,000 each.

THE BROOME COUNTY FARMERS' FIRE RELIEF ASSOCIATION

Home Office, McClure, N. Y.

Date of organization.....	April 4, 1887.
Date of filing papers with secretary of state.....	January 15, 1887.
County in which business is transacted	Broome.
Officers, addresses and salaries:	
President	S. A. Holcomb, Tunnel, N. Y., nothing.
Vice-President	H. S. Curtis, Maine, N. Y., nothing.
Secretary	A. Bryce, McClure, N. Y., \$2 per day.
Assistant Secretary.....	V. N. Cass, Afton, N. Y., \$2 per day.
Treasurer	C. A. Wheaton, Deposit, N. Y., \$5 a year.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$308 34

INCOME

Assessments other than paid in advance..... \$3,295 90

Total income 3,295 90

DISBURSEMENTS

Losses \$3,209 25
 Officers' salaries 341 65
 Other expenses, printing, etc. 53 34

Total disbursements 3,604 24

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	797.
Amount	\$1,296,853.
Classes of property insured.	Farm property and detached dwellings and contents, schoolhouses, creameries and cheese factories.
Term of policies	Three years.
Amount of premium paid in advance	\$1 application fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 31½¢; 1905, 30¢; 1906, 25¢; 1907, 25¢; 1908, 10¢. Average for 10 years, 20½¢.
Method of transacting business	An assessment is levied on October 15th of each year to pay previous losses and expenses and estimated losses up to following January. Any borrowed money is repaid by this assessment. Policyholder is required to sign application. Maximum risk, \$7,000.
Management	Secretary and assistant secretary give a joint bond for \$2,000. Treasurer is bonded for \$5,000. Directors receive \$1 for writing application.

BROOME COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Binghamton, N. Y.

Date of organization.....	June 4, 1889.
Date of filing papers with secretary of state.....	July 17, 1889.
County in which business is transacted	Broome.
Officers, addresses and salaries per year:	
President	Martin Sherwood, Upper Lisle, N. Y., \$2 per day.
Vice-President	D. W. Beardsley, Chenango Forks, N. Y., R. F. D. 2, none.
Secretary and Treasurer.	E. M. Jaycox, Binghamton, N. Y., R. F. D. 2, \$75.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$744 48

INCOME

Premiums	\$540 62
Interest	20 07
Total income	560 69
	\$1,305 17

1120 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Losses	\$242 00
Officers' salaries	60 00
Other expenses	53 81
Total disbursements	<u>\$355 81</u>
Balance	<u>\$949 36</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	299.
Amount	\$442,828.
Classes of property insured.	Farm property and detached dwellings and contents. Most of the policyholders are members of the grange.
Term of policies.....	Five years.
Amount of premium paid in advance	1/10 of 1 per cent., and \$1 for survey.
Rate of assessment.....	Per \$100 of insurance: Three of last five years, 10¢; one year, 20¢; and one year, 8¢.
Method of transacting business	An assessment is levied November 1st of each year to pay previous losses and expenses, and if losses are light, for an additional amount to increase balance on hand. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	Officers are not bonded. Director receives \$1 for writing application.

CATTARAUGUS COUNTY CO-OPERATIVE FARMERS' FIRE RELIEF ASSOCIATION

Home Office, East Randolph, N. Y.

Date of organization.....	June, 1884.
Date of filing papers with secretary of state.....	October 5, 1885.
Counties in which business is transacted	Cattaraugus and Chautauqua.
Officers, addresses and salaries per year:	
President	M. S. Randall, Randolph, R. F. D., No. 2, \$40.
Vice-President	C. D. Smith, Perrysburg, none.
Secretary and Treasurer.	S. N. Miller, East Randolph, \$900.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$2,001 33
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INCOME

Assessments other than paid in advance.....	19,559 98
	<u>\$21,561 31</u>

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1121

DISBURSEMENTS

Losses	\$21,187 21
Officers' salaries	1,370 26
Other expenses	477 92
Total disbursements	\$23,035 39
Deficiency	\$1,474 08

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	4,198.
Amount	\$5,946,480.
Classes of property insured.	Farm property and detached dwellings in villages.
Term of policies.....	Five years.
Amount of premium paid in advance	Policy fee, \$1.50.
Rate of assessment.....	Per \$100 of insurance: 1904, 40¢; 1905, 35¢; 1906, 30¢; 1907, 35¢; 1908, 35¢; 1909, 40¢.
Method of transacting business	An assessment is levied in July of each year to pay losses and expenses for past six months and sufficient to pay losses and expenses for six months following, so that money is borrowed for but six months. Policyholders required to sign applications.
Management	Secretary-treasurer bonded for \$6,000. Directors receive as commission \$1.50 policy fee and 1 per cent. of assessments collected by them.

CAYUGA COUNTY FARMERS' INSURANCE COMPANY

Home Office, Auburn, N. Y.

Date of organization.....	January 17, 1882.
Date of filing papers with secretary of state.....	January 26, 1882.
County in which business is transacted	Cayuga.
Officers, addresses and salaries per year:	
President	John H. Mosher, Port Byron, N. Y., \$25.
Vice-President	Delos Aiken, Ledyard, N. Y., none.
Secretary	S. L. Depew, Auburn, N. Y., 50¢ per policy.
Treasurer	John M. Sittser, Weedsport, N. Y., \$100.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1909

Balance on hand January 1, 1908.....	\$2,427 35
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INCOME

Advance premiums	\$1,272 40
Assessments other than paid in advance.....	11,024 32
Total income	12,296 72
	\$14,724 07

1122 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Losses paid	\$10,878 48
Officers' salaries	125 00
Office expenses, clerk hire, etc.	382 27
All other expenses.....	974 70
Total disbursements	<u>\$12,360 51</u>
Balance	<u>\$2,363 56</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	2,635.
Amount	\$4,361,610.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies	One to five years.
Amount of premium paid in advance	12¢ per \$100.
Rate of assessment.....	Per \$100 of insurance: 1904, 22¢; 1905, 16¢; 1906, 16½¢; 1907, 23¢; 1908, 26¢.
Method of transacting business	An advance premium is charged based on term of policy. Per \$100: 1 year, 6¢; 2 years, 8¢; 3 years, 10¢; 4 and 5 years, 12¢. An assessment is levied in October of each year to pay previous losses and expenses. Policyholder is required to sign application. Maximum risk, \$7,000. No policy fee is collected.
Management	None of the officers are bonded.

THE CAYUGA COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Poplar Ridge, N. Y.

Date of organization.....	July 29, 1877.
Date of filing papers with secretary of state.....	March 22, 1882.
Counties in which business is transacted	Cayuga and Onondaga.
Officers, addresses and salaries per year:	
President	Alfred Lanterman, Kings Ferry, N. Y., \$40.
Vice-President	R. M. Giles, Skaneateles, N. Y., none.
Secretary	Elisha Cook, Poplar Ridge, N. Y., 50¢ each policy written.
Treasurer	A. H. Goodrich, Auburn, N. Y., \$40.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$545 44
INCOME	
Advance premiums	\$986 24
Assessments other than paid in advance.....	2,803 00
All other receipts.....	8,844 84
Total income	<u>12,634 08</u>
	<u>\$13,179 52</u>

DISBURSEMENTS	
Losses paid	\$10,602 52
Officers' salaries	640 06
Office expenses	115 18
Calendars for members.....	126 57
All other expenses.....	1,209 75
Total disbursements	<u>\$12,694 08</u>
Balance	<u><u>\$485 44</u></u>

MISCELLANEOUS INFORMATION	
Insurance in force:	
Number of policies.....	2,282.
Amount	\$4,422,042.
Classes of property insured.	Farm property and detached dwellings. About 1/3 of policyholders are members of grange.
Term of policies.....	From one to five years.
Amount of premium paid in advance	11¢ per \$1,000 for 5 years and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 30¢; 1906, 20¢; 1907, 30¢; 1908, 70¢. Average for 24 years, 16.8¢.
Method of transacting busi- ness	An assessment is levied on February 1st of each year for the losses and expenses of previous year. Policyholder is required to sign appli- cation. Maximum risk, \$7,000.
Management	Secretary and treasurer are bonded for \$3,000 each.

THE CHENANGO COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Plymouth, N. Y.

Date of organization.....	August, 1884.
Date of filing papers with secretary of state.....	February 24, 1887.
Counties in which business is transacted	Chenango, Broome, Cortland, Madison and Otsego.
Officers, addresses and sala- ries per year:	
President	J. S. Shattuck, Norwich, N. Y., \$3 per diem.
Vice-President	Frank S. Clark, Guilford, N. Y., \$2 per diem; 50¢ each policy.
Secretary and Treasurer.	Charles H. Stanton, Plymouth, N. Y., \$200.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,821 53

INCOME	
Premium or assessment receipts.....	\$10,587 97
Loans	791 00
Other receipts	83 00
Total income	<u>11,461 97</u>
	<u><u>\$13,283 50</u></u>

1124 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses	\$6,530 08
Loans	808 50
Officers and directors	1,729 15
Other expenses	1,656 23
Total disbursements	<u>\$10,721 96</u>
Balance	<u>\$2,461 54</u>

MISCELLANEOUS INFORMATION

Insurance in force December
31, 1908:

Number of policies.....	2,602.
Amount	\$4,711,242.
Classes of property insured.	Farm property, and detached dwellings and contents in water-protected villages.
Term of policies.....	Five years.
Amount of premium paid in advance	\$4 per \$1,000.
Rate of assessment.....	Per \$100 of insurance: 1907, 1908 and 1909, 20¢ on all policies, with exception of some full \$4 premium policies.

Method of transacting business

All property insured is divided into two classes, that is, whether occupied by owner or tenant. At the first issuance of a policy the advance premium is \$4 per \$1,000. On renewals, policyholder pays \$2 to secretary. When property is occupied by tenant, in addition to renewal fee, policyholder pays 20¢ per \$100. Assessments are levied in June of each year to pay estimated losses for following year. Original or full premium policies are seldom assessed for first twenty months or two years. Policyholder is required to sign application. Maximum risk, \$3,000.

Management

Secretary-treasurer bonded for \$6,000. Directors receive \$1 for each application.

THE CO-OPERATIVE FIRE INSURANCE COMPANY OF ORANGE COUNTY

Home Office, Port Jervis, N. Y.

Date of organization.....	February 12, 1895.
Date of filing papers with secretary of state.....	March 18, 1895.
County in which business is transacted	Orange.
Officers, addresses and salaries per year:	
President	Geo. A. Hammond, M. D., Port Jervis, N. Y., none.
Vice-President	James B. Taynton, Port Jervis, N. Y., none.
Secretary	James Bennett, Port Jervis, N. Y., \$60 and commission.
Treasurer	Chas. B. Cunningham, Port Jervis, N. Y., none.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$319 38

INCOME

Premiums	\$504 73	
All other receipts	500 00	
Total income		1,004 73

DISBURSEMENTS

Losses paid	\$958 69	\$1,324 11
Officers' salaries	60 00	
Return premium	2 00	
Commissions	126 18	
All other disbursements	44 22	
Total disbursements		1,191 09

Balance		\$133 02
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MISCELLANEOUS INFORMATION

Insurance in force:
 Number of policies..... 245.
 Amount..... \$241,790.
 Classes of property insured. All classes; 90 per cent. being residences.
 Rates..... Estimated to be one-half board rate.
 Term of policies..... Business risks, one year; residences, three years.
 Amount of premium paid in advance..... Entire premium.
 Rate of assessment..... Per \$100 of insurance: Average since organization, 5½¢ per year.
 Method of transacting business..... An advance premium is charged which, with the exception of 3 years, has been sufficient to pay the cost of the insurance. Money borrowed is repaid before the end of fiscal year. An assessment is levied only when required. Policyholder is required to sign application. Maximum risk, \$2,000.
 Management..... Secretary and treasurer are bonded for \$500 each. No agents are employed, and business is solicited by the secretary and he receives 25 per cent. of premium.

THE DELAWARE COUNTY PATRONS' AND FARMERS' FIRE RELIEF ASSOCIATION

Home Office, Walton, N. Y.

Date of organization.....	May 21, 1881.
Date of filing papers with secretary of state.....	June 18, 1881.
County in which business is transacted	Delaware.
Officers, addresses and salaries per year:	
President	W. A. Gifford, East Masonville, N. Y., none.
Secretary	J. S. Holley, Walton, N. Y., none.
Treasurer	Geo. Milk, Goulds, N. Y., \$25.

1126 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$991 87

INCOME	
Assessments	4,902 56
	<hr/>
	\$5,954 43

DISBURSEMENTS	
Losses paid	\$4,360 00
Officers' salaries	317 34
Office expenses	28 35
All other expenses	98 86
	<hr/>
Total disbursements	4,804 55
	<hr/>
Balance	\$1,149 88

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,663.
Amount	\$1,338,295.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Three years.
Amount of premium paid in advance	\$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: Yearly average last 20 years is 27¢.
Method of transacting business	An assessment is levied whenever necessary to pay previous losses. Policyholder is required to sign application. Maximum risk, \$3,000.
Management	Secretary and treasurer are bonded for \$5,000 each and directors, \$500 each. Director receives \$1 for each application taken by him.

ERIE AND NIAGARA COUNTY FARMERS' INSURANCE ASSOCIATION

Home Office, Swormville, N. Y.

Date of organization.....	January 1, 1875.
Date of filing papers with secretary of state.....	Reorganized and incorporated June 7, 1887.
Counties in which business is transacted	Erie and Niagara.
Officers, addresses and salaries per year:	
President	George J. Wolf, Williamsville, N. Y., \$56.46; services, 1908.
Vice-President	Henry M. Treichler, North Tonawanda, N. Y., R. F. D., \$60.36; services, 1908.
Secretary	J. E. Secrist, Swormville, N. Y., \$1,000.
Treasurer	E. A. Lapp, Swormville, N. Y., \$200.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$5,401 00

INCOME

Assessments other than paid in advance.....	\$33,089 68
Money borrowed	22,500 00
German Bank of Buffalo (defunct) 6 per cent div..	472 17
Telephone charges collected ..	1 55

Total income..... \$56,063 40

DISBURSEMENTS

Losses and adjusting	\$30,032 15
Officers' salaries	1,590 18
Office expenses	1,228 81
Money borrowed	22,500 00
Interest on money borrowed.....	323 92
Commissions ..	2,144 30
Rebate of assessments	12 95
Other expenses	37 18

Total disbursements 57,869 49

Balance .. \$3,594 91

MISCELLANEOUS INFORMATION

Insurance in force December
31, 1908:

Number of policies..... 7,288.

Amount \$15,105,615.

Classes of property insured. Farm property, detached property and school-houses.

Term of policies..... Five years.

Amount of premium paid in
advance \$2 policy fee.

Rate of assessment..... Per \$100 of insurance: 1904, 15¢; 1905, 25¢;
1906, 22.5¢; 1907, 17.5¢; 1908, 22.5¢.

Method of transacting business An assessment is levied in September of each year to pay previous losses and expenses and estimated losses for remainder of calendar year. Any borrowed money is repaid from this assessment. Policyholder is required to sign the application. Maximum risk, \$7,000.

Management Secretary is bonded for \$2,000; treasurer, \$5,000, and every collector is bonded each year for double the amount he is to collect.

THE FARMERS' ALLIANCE CO-OPERATIVE FIRE INSURANCE COMPANY OF STEUBEN COUNTY, N. Y.

Home Office, Canisteo, N. Y.

Date of organization..... 1891.

Date of filing papers with
secretary of state..... August 24, 1891.

County in which business is
transacted Steuben.

Officers, addresses and salaries per year:

President P. E. Stephens, R. F. D., No. 1, Canisteo, N. Y.,
\$125.

Secretary and Treasurer. J. A. Almy, Canisteo, N. Y., \$468.

1128 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$3,490 08

INCOME

Receipts 13,186 80

\$16,676 88

DISBURSEMENTS

Losses \$8,703 81
Officers' salaries 734 57
Office expenses 4,255 00
Other expenses 637 88

Total disbursements 14,331 26

Balance \$2,345 62

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:

Number of policies..... 740.
Amount \$3,198,000.
Classes of property insured. Farm property.
Term of policies..... Three years.
Amount of premium paid in advance 1 per cent. and \$1 policy fee.
Rate of assessment..... Per \$100 of insurance: 1904, 36¢; 1905, 42¢; 1906, 32¢; 1907, 35¢; 1908, 34¢.

Method of transacting business An assessment is levied in June and December of each year to pay previous losses and expenses for the six months. Money to pay losses is repaid by assessment. Maximum risk written, \$3,000. Policyholders are required to sign applications.

Management Secretary-treasurer is bonded for \$2,000. The agents receive the policy fee of \$1.

THE FARMERS' FIRE AND LIGHTNING INSURANCE COMPANY

Home Office, Westernville, N. Y.

Date of organization..... June 16, 1877.
Date of filing papers with secretary of state..... November 5, 1879.
County in which business is transacted Oneida.
Officers, addresses and salaries:
President John R. Watkins, Holland Patent, R. No. 1, none.
Vice-President G. D. Thomas, Rome, R. No. 4, none.
Secretary and Treasurer. C. E. Clark, Westernville, 30¢ per \$1,000 of insurance written.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$4,039 65

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1129

INCOME	
Premiums	\$1,628 99
Assessments	5,221 41
Other receipts	68 70
Total income.	<u>\$6,919 10</u>
DISBURSEMENTS	
Losses	\$8,290 00
Officers' salaries	1,811 82
Other expenses	183 91
Total disbursements	<u>10,285 73</u>
Balance	<u><u>\$673 02</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	2,816.
Amount	\$5,226,110.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ on each \$100 of insurance and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 20¢; 1906, 20¢; 1907, 20¢; 1908, 10¢.
Method of transacting business	An assessment is levied each year to pay losses and expenses of previous year and to leave a balance. Maximum risk written, \$7,000. Policyholder required to sign application.
Management	Secretary-treasurer bonded for \$16,000. Agents bonded for \$1,000 each. Agents receive as commission 70¢ on each \$1,000 of insurance and one-half policy fee.

FARMERS' MUTUAL INDEMNITY ASSOCIATION

Home Office, Moravia, N. Y.

Date of organization.....	1879.
County in which business is transacted	Cayuga.
Officers, addresses and salaries:	
President	A. D. Lee, Moravia, N. Y., fees.
Vice-President	J. M. Bevier, Moravia, N. Y., fees.
Secretary and Treasurer.	Alton E. Banks, Moravia, N. Y., fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908
Balance on hand January 1, 1908..... \$109 56

INCOME	
Advance premiums or assessments.....	\$2,699 31
Assessments levied in 1907.....	998 11
Other receipts	30 25
Total income	<u>3,727 67</u>
	<u><u>\$3,837 23</u></u>

1130 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses	\$805 16
Office expenses	1,494 36
Paid borrowed money and interest.	1,521 84
Total disbursements	<u>\$3,821 36</u>
Balance	<u>\$15 87</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.	1,893.
Amount	\$3,274,098.
Classes of property insured.	Farm property, and detached dwellings in water-protected cities and villages.
Term of policies.	One to five years.
Rate of assessment.	Per \$1,000 of insurance: Average rate per year since organization, 85¢.
Method of transacting business	An assessment is levied when losses and expenses make it necessary, and is levied to pay previous losses and expenses. Policyholder is required to sign the application. Maximum risk, \$7,000.
Management	Officers are bonded for \$2,000 each.

FARMERS' MUTUAL INSURANCE COMPANY OF ORLEANS AND NIAGARA COUNTIES

Home Office, Middleport, N. Y.

Date of organization.	December 18, 1877.
Date of filing papers with secretary of state.	September 24, 1881.
Counties in which business is transacted	Orleans and Niagara.
Officers, addresses and salaries per year:	
President	James Allen, Middleport, N. Y., \$63.84.
Vice-President	D. R. Watson, Medina, N. Y., R. F. D., No. 10, \$33.00.
Secretary	E. A. Pearce, Middleport, N. Y., \$900.
Treasurer	Geo. C. Hayward, Lockport, N. Y., \$174.79.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Deficiency January 1, 1908.	<u>\$2,465 58</u>
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INCOME

Assessments other than paid in advance.	\$17,878 36
Surrendered policies	54 61
Total income	<u>\$17,932 97</u>

DISBURSEMENTS

Losses	\$13,459 34
Officers' salaries	1,071 72
Office expenses	535 96
Interest	532 51
Other expenses	1,168 60
Total disbursements	<u>\$16,768 13</u>
Balance	<u>\$1,164 84</u>
Amount of borrowed money unpaid December 31, 1908	<u>\$2,400 00</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies	4,730.
Amount	\$9,567,868.
Classes of property insured.	Farm property and detached dwellings and barns.
Term of policies	Five years.
Amount of premium paid in advance	\$1.50 on new applications; nothing on renewals
Rate of assessment	Per \$100 of insurance: 1904, 25¢; 1905, 25¢; 1906, 20¢; 1907, 20¢; 1908, 20¢; 1909, 20¢.
Method of transacting business	An assessment is levied on September 1st of each year to pay previous losses and expenses, and any borrowed money is repaid from this assessment. Policyholder is not required to sign application, although, as a general rule, it is done. Maximum risk, \$7,000.
Management	Secretary and treasurer are bonded for \$10,000 each. The \$1.50 policy fee is paid to director taking the application.

THE FARMERS' RELIANCE MUTUAL INSURANCE
COMPANY OF CHEMUNG, SCHUYLER AND YATES
COUNTIES, STATE OF NEW YORK

Home Office, Penn Yan, N. Y.

Date of organization	June 19, 1877.
Date of filing papers with secretary of state	April 24, 1882.
Counties in which business is transacted	Chemung, Schuyler and Yates.
Officers, addresses and salaries per year:	
President	C. L. Frost, Odessa, N. Y., nothing.
Vice-President	F. H. Cole, Penn Yan, N. Y., nothing.
Secretary	James A. Thayer, Penn Yan, N. Y., \$600.
Treasurer	E. B. Shappee, Horseheads, N. Y., \$100.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908 \$7,851 27

1132 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

INCOME	
Advance premiums	\$2,391 28
Assessments other than paid in advance.....	21,273 20
All other receipts	356 98
Total income	<u>\$24,021 46</u>
DISBURSEMENTS	
Losses paid	\$12,517 55
Officers' salaries	700 00
Office expenses, etc.....	22 30
All other expenses	1,379 69
Total disbursements	<u>14,619 54</u>
Balance	<u>\$17,253 19</u>

MISCELLANEOUS INFORMATION	
Insurance in force:	
Number of policies.....	6,100.
Amount	\$8,859,292.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 for each \$1,000 and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 30¢; 1905, 30¢; 1906, 25¢; 1907, nothing; 1908; 25¢.
Method of transacting business	An assessment is levied October 1st of each year to pay the estimated losses and expenses of the following year. Policyholder either signs application or authorizes director to do so for him. Maximum risk, \$5,000.
Management	Secretary and treasurer are each bonded for \$10,000. Directors are bonded for \$1,000 each. Directors receive the \$1 policy fee for applications and 1 per cent. of assessments collected by them.

FULTON AND MONTGOMERY COUNTIES FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION

Home Office, Perth, N. Y.

Date of organization.....	March 1, 1853.
Counties in which business is transacted	Fulton and Montgomery.
Officers, addresses and salaries per year:	
President	Alexander Kennedy, Vails Mills, N. Y., none.
Secretary and Treasurer.	Ten Eyck Major, Amsterdam, N. Y., \$800 and fees.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$1,069 07

INCOME

Advance premiums or assessments.....	\$845 00	
Assessments not paid in advance.....	23,434 53	
Other assessments	10 01	
Total income		\$24,289 54

DISBURSEMENTS

Losses paid	\$22,102 90	\$25,358 61
Officers' salaries	592 00	
Office expenses	23 00	
Directors' fees	557 18	
Rebates	6 12	
All other expenses	309 86	
Total disbursements		23,591 06

Balance		<u>\$1,767 55</u>
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MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	3,447.
Amount	\$6,511,737.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	\$2 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 25.5¢; 1905, 24.9¢; 1906, 33.6¢; 1907, 20.5¢; 1908, 38.2¢; 1909, 34.3¢.
Method of transacting business	An assessment is levied on September 1st of each year to pay previous losses and expenses, and any borrowed money is repaid from this assessment. Policyholder is not required to sign the application. Maximum risk, \$7,000.
Management	Secretary-treasurer is bonded for \$10,000. Directors receive one-half of the policy fee for taking the application.

THE MADISON-ONONDAGA MUTUAL FIRE INSURANCE COMPANY

Home Office, Chittenango, N. Y.

Date of organization.....	January 30, 1893.
Date of filing papers with secretary of state.....	February 7, 1893.
Counties in which business is transacted	Madison and Onondaga.
Officers, addresses and salaries per year:	
President	F. H. Gates, Chittenango, N. Y., \$200.
Secretary and Treasurer.	V. W. Bull, Chittenango, N. Y., \$555.41.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$1,071 47
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1134 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

INCOME	
Assessment and premiums	\$9,709 56
All other receipts	34 69
Total income.....	<u>\$9,744 25</u>
	<u>\$10,815 72</u>
DISBURSEMENTS	
Losses paid	\$6,638 82
Officers' salaries	755 41
Office expenses	1,550 89
Rebates and return premium.....	8 05
Total disbursements	<u>8,953 17</u>
Balance	<u><u>\$1,862 55</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,975.
Amount	\$4,001,295.
Classes of property insured.	Farm property and detached dwellings, 100 feet distant, and contents.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100; \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 20¢; 1906, nothing; 1907, 20¢; 1908, 20¢.
Method of transacting business	As a general rule an assessment is levied each year to pay previous losses and expenses. The full amount of these assessments are collected. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	The officers are not bonded. Directors receive 75¢ for writing applications.

NIAGARA AND ERIE COUNTY FARMERS' PROTECTIVE ASSOCIATION

Home Office, Martinsville, N. Y.

Date of organization.....	January 22, 1889.
Date of filing papers with secretary of state.....	February 26, 1889.
Counties in which business is transacted	Niagara and Erie.
Officers, addresses and salaries per year:	
President	John F. Brauer, North Tonawanda, none.
Vice-President	Henry Kramer, Amherst, none.
Secretary	Jacob Blum, Martinsville, \$300.
Treasurer	John Neubecker, Martinsville, \$40.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$508 13
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INCOME

Advance premiums or assessments	\$11 89
Assessments other than paid in advance.....	5,726 18
Borrowed money	700 00
Members' fees and changes	219 90
Total income	<u>\$6,657 97</u>

DISBURSEMENTS

Losses ..	\$3,754 15	\$7,166 10
Officers' salaries	933 99	
Other disbursements	1,162 70	
Total disbursements	<u>5,850 84</u>	
Balance ..	<u>\$1,315 26</u>	

MISCELLANEOUS INFORMATION

Expenses of management...	23.9 per cent. of premium receipts.
Insurance in force December 31, 1908:	
Number of policies.....	1,401.
Amount	\$2,743,040.
Classes of property insured.	Farm property and detached dwellings on outskirts of villages.
Amount of premium paid in advance	\$1.50 policy fee.
Rate of assessment.....	Average assessment since 1889, 15.2¢ per \$100.
Method of transacting business	New policyholder pays \$1.50 policy fee, which is agent's commission. Agents receive 5 per cent. of first \$500 of assessments collected and 3 per cent. for all over. Assessment made in September or October of each year to pay losses and expenses of current year. All property classified and rates based on classification. Maximum risk, \$4,000.
Management	Secretary bonded for \$500. Treasurer bonded for \$1,000. Agents bonded for double amount of assessments placed in their hands for collection. Risks passed upon by executive committee.

THE ONTARIO COUNTY ALLIANCE MUTUAL FIRE RELIEF ASSOCIATION

Home Office, 182 Main St., Canandaigua, N. Y.

Date of organization.....	June, 1894.
Date of filing papers with secretary of state.....	June 9, 1894.
Counties in which business is transacted	Ontario and Yates.
Officers and addresses:	
President	Allen B. Welch, Victor, N. Y., R. F. D., No. 3.
Vice-President	Gaius S. Randall, Manchester, N. Y.
Secretary	E. Whitfield Burge, 182 Main street, Canandaigua, N. Y.
Treasurer	Chas. E. Gooding, Halcomb, N. Y., R. F. D., No. 1.

1136 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$328 10
INCOME	
Advance premiums or assessments (all sources).....	6,850 75
DISBURSEMENTS	
Losses	\$5,288 02
Officers' salary and commissions.....	1,318 76
Other expenses, postage, etc.	354 93
Total disbursements	6,961 71
Balance	\$217 14

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:

Number of policies.....	2,571.
Amount	\$3,251,384.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	1/7 of 1 per cent. on all property and barns 50 feet distant. 1/2 of 1 per cent. on barns less than 50 feet.
Rate of assessment.....	Per \$100 of insurance: 1904, 28¢; 1905, 35¢; 1906, 43¢; 1907, 20¢; 1908, 23¢.
Method of transacting business	An assessment is levied in September of each year to pay previous year's losses and expenses. This assessment based on actual losses incurred while policyholder was a member. Maximum risk written, \$4,000. Policyholder required to sign applications.
Management	Secretary passes on applications. Secretary and treasurer bonded for \$1,000 each. Agents bonded for \$500 each. Agents receive as commission \$1 policy fee and 3 per cent. of assessments collected.

THE ORLEANS COUNTY FARMERS' MUTUAL INSURANCE COMPANY

Home Office, Albion, N. Y.

Date of organization.....	March, 1881.
Date of filing papers with secretary of state.....	February 1, 1887.
County in which business is transacted	Orleans.
Officers, addresses and salaries per year:	
President	Myron L. Parker, Medina, N. Y., \$78.56.
Vice-President	M. M. McCrillis, Holley, N. Y., \$33.54.
Secretary	Samuel W. Smith, Albion, N. Y., \$600.
Treasurer	Spencer N. Tanner, Albion, N. Y., \$204.27.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908	\$5,067 99
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CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1137

INCOME

Assessments due last year.....	\$38 10
Assessments, 1908	17,980 54
Money borrowed to pay losses as they are adjusted. 13,700 00	
Total income	<u>\$31,718 64</u>

DISBURSEMENTS

Losses	\$16,445 36
Officers' salaries	1,531 49
Borrowed money and interest.....	14,008 67
Other expenses	567 29
Total disbursements	<u>32,552 81</u>
Balance	<u><u>\$4,233 82</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	4,849.
Amount	\$9,540,357.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	One to five years.
Amount of premium paid in advance	\$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 19¢; 1905, 25¢; 1906, 16¢; 1907, 15¢; 1908, 20¢; 1909, 20¢.
Method of transacting business	An assessment is levied in October of each year to pay previous losses and expenses, and usually to increase the cash on hand. Any borrowed money is repaid from this assessment. Applications are signed by policyholders. Maximum risk, \$5,000.
Management	Officers are bonded for double the amount of money received by them. Directors receive the \$1.50 policy fee and 3 per cent. of assessments collected by them.

OTSEGO COUNTY FARMERS' CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Cooperstown, N. Y.

Date of organization.....	May 24, 1886.
Date of filing papers with secretary of state.....	May 14, 1886.
Counties in which business is transacted	Otsego, Chenango and Delaware.
Officers, addresses and salaries per year:	
President	A. G. Murphy, Cooperstown, N. Y., \$300.
Vice-President	Reville Holmes, Westford, N. Y., none.
Secretary and Treasurer.	A. C. Shipman, Cooperstown, N. Y., \$1,000.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$294 30
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INCOME	
Assessments	\$10,193 02
All other receipts	546 00
Total income	<u>\$10,739 02</u>
DISBURSEMENTS	
Losses paid	\$9,092 93
Officers' salaries	1,300 00
Office expenses	80 00
All other expenses	497 32
Total disbursements	<u>10,970 25</u>
Balance	<u><u>\$63 07</u></u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	3,252.
Amount	\$4,858,325.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Three years.
Amount of premium paid in advance	\$2 membership fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 24¢; 1905, 24¢; 1906, 16¢; 1907, 20¢; 1908, 22¢.
Method of transacting business	An assessment is levied on September 28 of each year to pay previous losses and expenses, or not more than \$900 in excess of that amount. Policyholder is required to sign the application. Maximum risk, \$2,000.
Management	Officers are not bonded. Agents bonded for \$500 each. Of the membership fee of \$2 the agent receives \$1 and the secretary 50¢.

THE PATRONS OF INDUSTRY FIRE INSURANCE COMPANY OF CORTLAND COUNTY, NEW YORK

Home Office, Cortland, N. Y.

Date of organization.....	October 5, 1901.
Date of filing papers with secretary of state.....	October 5, 1901.
County in which business is transacted	Cortland.
Officers, addresses and salaries:	
President	H. J. Reed, Cortland, N. Y., \$2 per day for actual services.
Secretary and Treasurer.	A. J. Sears, Cortland, N. Y., 25¢ per policy written.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME	
Advance premiums or assessments	\$90 54
Assessments other than paid in advance.....	372 04
Total income	<u>\$462 58</u>

DISBURSEMENTS

Losses	\$142 75
Other expenses	98 69
Total disbursements	<u>\$241 44</u>
Balance	<u><u>\$221 14</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies	402.
Amount	\$356,281.
Classes of property insured.	Farm property, detached dwellings, schoolhouses and churches.
Term of policies	Five years.
Amount of premium paid in advance	\$1.25 policy fee and \$1 per \$1,000.
Rate of assessment	Per \$100 of insurance: 1904, 10¢; 1905, 10¢; 1906, 10¢; 1907, 15¢; 1908, 10¢.
Method of transacting business	Money is borrowed during the year to pay losses and expenses, and an assessment is levied in November of each year to pay outstanding indebtedness. Maximum risk written, \$2,000. Policyholders required to sign applications.
Management	The officers are not bonded. The agents are bonded for \$400 each. Agents receive \$1 for each survey.

THE PATRONS OF INDUSTRY FIRE INSURANCE
COMPANY OF ONONDAGA AND OSWEGO
COUNTIES, NEW YORK

Home Office, Parish, N. Y.

Date of organization	June 16, 1899.
Date of filing papers with secretary of state	October 3, 1899.
Counties in which business is transacted	Onondaga, Oswego, Jefferson.
Officers, addresses and salaries per year:	
President	G. H. Rogers, Clay, N. Y., nothing.
Vice-President	John F. Ross, Pennellville, N. Y., nothing.
Secretary and Treasurer.	Emmett Lewis, Parish, N. Y., \$2 per day; actual services and expenses.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Advance premiums or assessments	\$141 06
Assessments other than paid in advance	1,517 23
Total receipts	<u>\$1,658 29</u>

1140 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS	
Losses paid	\$1,191 24
All other expenses	461 11
Total disbursements	<u>\$1,642 35</u>
Balance	<u><u>\$15 94</u></u>

MISCELLANEOUS INFORMATION	
Insurance in force:	
Number of policies.....	640.
Amount	\$723,746.
Classes of property insured.	Farm property and detached dwellings and contents.
Term of policies.....	Three years.
Amount of premium paid in advance	10¢ per \$100 and \$1.25 policy fee.
Rate of assessment.....	Per \$100 of insurance: Last 6 years, 20¢.
Method of transacting business	An assessment is levied in May of each year to pay previous losses and expenses, and with this assessment any borrowed money is repaid; 96 per cent. of these assessments are collected. Policyholder is required to sign application. Maximum risk, \$3,500.
Management	Secretary-treasurer is bonded for \$7,000. As treasurer he receives 1 per cent. of receipts and disbursements. Agents bonded for \$400. They receive \$1 of the policy fee.

RENSSELAER COUNTY MUTUAL FIRE INSURANCE COMPANY

Home Office, Sand Lake, N. Y.

Date of organization.....	March 7, 1878. Reorganized March 12, 1898.
Date of filing papers with secretary of state.....	July 1, 1887.
County in which business is transacted	Rensselaer.
Officers, addresses and salaries per year:	
President	Elmer E. Reichard, M. D., Averill Park, N. Y., \$100.
Vice-President	George B. Wilsey, Sand Lake, N. Y., none.
Secretary and Treasurer.	Arthur M. Peck, Sand Lake, N. Y., \$300.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$855 43

INCOME	
Advance premiums or assessments.....	\$1,560 45
Other assessments	15,021 59
Company's notes	4,400 00
All other receipts	<u>2,176 06</u>
Total income	<u>23,158 10</u>
	<u><u>\$24,013 53</u></u>

DISBURSEMENTS

Losses paid	\$17,678 21	
Officers' salaries	400 00	
Office expenses	648 99	
Agents' commissions	1,787 00	
All other expenses	3,183 88	
Total disbursements		\$23,678 08
Balance		<u>\$335 45</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	4,759.
Amount	\$6,524,205.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100 and \$1.50 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 36¢; 1905, 20¢; 1906, 30¢; 1907, 30¢; 1908, 20¢.
Method of transacting business	An assessment is levied once a year when necessary and usually about August 15th, for a small amount more than sufficient to pay previous losses and expenses. Property insured is classified, and assessment rate based on such classification. Policyholder is required to sign application. Maximum risk, \$3,500.
Management	Secretary-treasurer is bonded for \$4,000. Agents receive the \$1.50 policy fee as commission.

SAUQUOIT VALLEY FARMERS' ASSOCIATION

Home Office, Sauquoit, N. Y.

Date of organization.....	February 21, 1878.
Counties in which business is transacted	Oneida, Herkimer, Madison and Otsego.
Officers, addresses and salaries per year:	
President	J. M. Porter, New Hartford, N. Y., \$200.
Vice-President	M. L. Comstock, Clinton, N. Y., nothing.
Secretary and Treasurer.	E. C. Birdseye, Sauquoit, N. Y., \$1,000.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$149 48

INCOME

Advance premiums or assessments.....	\$804 21	
Other assessments	14,483 50	
Policy fees	405 00	
Interest	5 78	
Total income		<u>15,698 49</u>
		<u>\$15,847 97</u>

1142 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses paid	\$9,453 25
Officers' salaries	1,200 00
Adjusting losses	99 60
All other expenses	187 92
Total disbursements	<u>\$10,940 77</u>
Balance	<u>\$4,907 20</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,676.
Amount	\$3,643,250.
Classes of property insured.	Farm property, and detached dwellings and contents in villages.
Term of policies.....	Five years.
Amount of premium paid in advance	1/10 of 1 per cent. and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 10¢; 1905, 10¢; 1906, 20¢; 1907, nothing; 1908, 40¢.
Method of transacting business	When a deficiency occurs an assessment is levied for not less than 2/10 of 1 per cent., and always large enough to leave a surplus. If assessment is not paid within 60 days the policy is canceled and delinquent is never insured again. Average amount of assessments collected, 99.8 per cent. Policyholder is required to sign application. Maximum risk, \$5,000.
Management	None of the officers are bonded.

THE SCHOHARIE AND SCHENECTADY COUNTIES FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION

Home Office, Esperance, N. Y.

Date of organization.....	April 7, 1868.
Countries in which business is transacted	Schoharie and Schenectady.
Officers, addresses and salaries per year:	
President	Charles Baumes, Esperance, N. Y., \$100.
Vice-President	O. R. Mann, Richmondville, N. Y., nothing.
Secretary	John P. Van Vechten, Esperance, N. Y., \$1,000.
Assistant Secretary and Treasurer	Isaac Van Vechten, Esperance, N. Y., \$300.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$440 44

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1143

INCOME

Assessments other than paid in advance..... \$14,464 86

\$14,906 30

DISBURSEMENTS

Losses paid\$11,703 36

Officers' salaries 1,400 00

Office expenses, clerk hire, etc. 60 00

All other expenses 1,312 76

Total disbursements 14,476 12

Balance \$429 18

MISCELLANEOUS INFORMATION

Insurance in force:

Number of policies..... 4,490.

Amount \$7,135,308.

Classes of property insured. Farm property, dwellings, schoolhouses, churches and contents.

Term of policies..... Five years.

Amount of premium paid in advance \$2 policy fee.

Rate of assessment..... Per \$100 of insurance: 1904, 20¢; 1905, 14¢; 1906, 22¢; 1907, 18¢; 1908, 21¢; 1909, 20¢.

Method of transacting business Assessment levied in January of each year to pay previous losses and expenses, and any money borrowed is repaid. Policyholder is required to sign application. Maximum risk, \$2,000.

Management Treasurer gives a bond for \$10,000. Agent or director receives \$2 policy fee for each application.

THE ST. LAWRENCE COUNTY FARMERS' INSURANCE COMPANY

Home Office, Ogdensburg, N. Y.

Date of organization..... July, 1886.

Date of filing papers with secretary of state..... July, 1886.

County in which business is transacted St. Lawrence.

Officers, addresses and salaries per year:

President Lott Hall, Gouverneur, N. Y., none.

Secretary and Treasurer. N. Wills, Ogdensburg, N. Y., commission.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

INCOME

Assessments, etc \$30,004 54

1144 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DISBURSEMENTS

Losses and expenses	\$29,153 12
Balance	<u>\$851 42</u>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	5,842.
Amount	\$10,356,301.
Classes of property insured.	Farm property.
Term of policies.....	Three years.
Amount of premium paid in advance	\$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 27.9¢; 1905, 27.9¢; 1906, 32.9¢; 1907, 29.7¢; 1908, 29.5¢.
Method of transacting business	An assessment is levied in January of each year to pay previous losses and expenses. Policyholder is required to sign application. Maximum risk written, \$7,000.
Management	Secretary and treasurer bonded for \$2,000 each. Agents receive 50¢ on each application, which is paid by secretary out of his fees.

THE TIOGA COUNTY PATRONS' FIRE RELIEF ASSOCIATION

Home Office, Spencer, N. Y.

Date of organization.....	October 3, 1877.
Date of filing papers with secretary of state.....	January, 1881.
County in which business is transacted	Tioga.
Officers, addresses and salaries:	
President	A. W. Krom, Candor, N. Y., \$2 per day and expenses when employed.
Secretary	L. W. Hull, Spencer, N. Y., 50¢ per policy.
Treasurer	Geo. J. Sherwood, Apalachin, N. Y., 1/2 of 1 per cent. of disbursements.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908.....	\$2,549 84
--------------------------------------	------------

INCOME

Advance premiums or assessments	\$791 16
Assessments other than paid in advance.....	11,389 67
Note	<u>3,700 00</u>
Total income	15,880 83
	<u>\$18,430 77</u>

DISBURSEMENTS

Losses Sept., 1907-Sept., 1908.....	\$11,029 70
Officers and ex. com. salaries.....	876 24
Office expenses	128 00
Note	2,000 00
Interest	210 00
Other expenses	49 00
Total disbursements	<u>\$14,292 94</u>
Balance	<u>\$4,137 83</u>

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	2,780.
Amount	\$3,990,068.
Classes of property insured.	Farm property and detached dwellings.
Term of policies.....	Five years.
Amount of premium paid in advance	\$1 per \$1,000 and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 20¢; 1906, 25¢; 1907, 25¢; 1908, 30¢.
Method of transacting business	An assessment is levied on September 20th of each year to pay the losses and expenses of previous year. Policyholders required to sign applications. Maximum risk, \$6,000.
Management	Secretary is bonded for \$3,000, and treasurer for \$10,000. Directors bonded from \$300 to \$1,500 each.

WESTMORELAND INSURANCE ASSOCIATION

Home Office, Westmoreland, N. Y.

Date of organization.....	February 4, 1881.
Date of filing papers with secretary of state.....	June 8, 1887.
County in which business is transacted	Oneida.
Officers, addresses and salaries per year:	
President	H. H. Tyler, Clinton, N. Y., \$100.
Vice-President	James A. Bailey, Rome, N. Y., none.
Secretary and Treasurer.	W. H. Storey, Rome, N. Y., \$900.

FINANCIAL EXHIBIT FOR YEAR ENDING DECEMBER 31, 1908

Balance on hand January 1, 1908..... \$653 35

INCOME

Advance premiums and policy fees.....	\$800 45
Assessments other than paid in advance.....	5,890 85
Borrowed money (note three months).....	1,000 00
Total income	<u>7,691 30</u>
	<u>\$8,344 65</u>

DISBURSEMENTS

Losses paid	\$3,767 55	
Officers' salaries	1,126 10	
Office expenses, clerk hire, etc.	217 99	
Borrowed money repaid.....	1,000 00	
		<hr/>
Total disbursements		\$6,111 64
		<hr/>
Balance		\$2,233 01
		<hr/>

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	1,649.
Amount	\$3,002,712.
Classes of property insured.	Farm property.
Term of policies.....	Five years.
Amount of premium paid in advance	10¢ per \$100 and \$1 policy fee.
Rate of assessment.....	Per \$100 of insurance: 1904, 20¢; 1905, 20¢; 1906, 20¢; 1907, nothing.
Method of transacting business	An assessment is levied to pay previous losses, and in addition for a small surplus for future losses. Policyholder is required to sign the application. Maximum risk written is \$5,000.
Management	Secretary-treasurer is bonded for \$5,000.

ADVANCE PREMIUM ASSOCIATIONS

CLASS A

THE FOLLOWING THIRTY-TWO REPORTS OF ADVANCE PREMIUM ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE THOSE ASSOCIATIONS IN WHICH AN ADVANCE PREMIUM IS CHARGED, ESTIMATED TO PAY THE COST OF THE INSURANCE, AND NO ADDITIONAL ASSESSMENT ON THE POLICYHOLDERS CONTEMPLATED

THE AMSTERDAM FIRE INSURANCE COMPANY OF MONTGOMERY COUNTY

Home Office, Amsterdam, N. Y.

Date of filing papers with secretary of state..... April 13, 1899.
 Counties in which business is transacted Montgomery, Fulton, Herkimer, Saratoga, Rensselaer, Washington.
 Officers, addresses and salaries per year:
 President James Blood, Amsterdam, nothing.
 Vice-President S. F. Powell, Amsterdam, nothing.
 Secretary W. D. Welch, Gloversville, \$600.
 Treasurer C. P. Waterstreet, Amsterdam, nothing.

FINANCIAL EXHIBIT, AS OF NOVEMBER 10, 1909

ASSETS

Cash in bank.....	\$1,511 80	
Cash in office.....	267 68	
Uncollected premiums (net).....	2,517 08	
Gross assets		\$4,296 56

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	1,044 71	
Total admitted assets.....		\$3,251 85

LIABILITIES

Unpaid bills	\$51 51	
Borrowed money	3,000 00	
Interest accrued	140 00	
Salaries	37 49	
Total liabilities	\$3,229 00	
Excess of assets over liabilities.....		\$22 85

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	35.5 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	2,200.
Amount.....	\$1,672,783.63.
Classes of property insured.	All classes.
Rates	One year policies estimated to average 75 per cent. of board rate. Three year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Associations of New York State and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, in Amsterdam. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on applications. All policies are issued from his office in Gloversville. He has given a bond for \$2,000. All checks are signed by president and treasurer. Treasurer is bonded for \$3,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately, \$6,000. Liabilities: The item, "Borrowed Money," for \$3,000 is the amount due for a loan on a note signed by president and secretary and indorsed by executive committee, and bearing 6 per cent. interest.

BUTTERNUT VALLEY MUTUAL FIRE INSURANCE COMPANY

Home Office, Morris, N. Y.

Date of filing papers with secretary of state.....	September 20, 1904.
Counties in which business is transacted	Otsego, Chenango, Delaware.
Officers, addresses and salaries per year:	
President	George Whitman, Morris, \$100.
Vice-President	Frank L. Mills, Morris, none.
Secretary	E. C. Miller, Morris, \$600.
Treasurer	V. J. Hoke, Morris, \$62.70.

FINANCIAL EXHIBIT, AS OF OCTOBER 28, 1909

ASSETS

Cash in bank.....	\$3,420 17
Uncollected premiums (net)	1,299 39
Gross assets	\$4,719 56

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	382 24
Total admitted assets.....	\$4,337 32

LIABILITIES

Unpaid losses:	
Adjusted, not due.....	\$920 00
Salaries	632 50
Unpaid bills	49 00
Total liabilities	\$1,601 50
Excess of assets over liabilities.....	\$2,735 82

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	35.4 per cent. of premium income.
Insurance in force September 28, 1909:	
Number of policies.....	1,273.
Amount	\$1,039,068.89.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.

1150 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,000. Largest amount in business section of any city or village, \$10,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs, and passes on applications. Treasurer signs all checks and is bonded for \$5,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$4,000.

THE CATSKILL MOUNTAIN FIRE INSURANCE COMPANY OF GREENE COUNTY

Home Office, Greenville, N. Y.

Date of filing papers with secretary of state.....	November 25, 1902.
Counties in which business is transacted	Greene, Columbia, Dutchess, Ulster, Orange, Westchester.
Officers, addresses and salaries per year:	
President	Pierce Stevens, Greenville, \$100.
Secretary and Treasurer.	James Stevens, Greenville, \$1,000 (less clerk hire).

FINANCIAL EXHIBIT, AS OF OCTOBER 31, 1909

LEDGER ASSETS

Cash in bank.....	\$7,997 71
Bonds, book value.....	2,060 00
Uncollected premiums (net).....	2,523 55
Total ledger assets.....	\$12,581 26

NON-LEDGER ASSETS

Accrued interest on cash in banks.....	\$104 43
Accrued interest on bonds.....	45 00
	149 43
Gross assets	\$12,730 69

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1151

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	\$1,517 17
Total admitted assets	<u>\$11,213 52</u>

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$1,500 00	
Unadjusted (estimated)	750 00	
		<u>\$2,250 00</u>
Salaries		458 32
Unpaid bills		3 75
Rent		16 66
Total liabilities		<u>\$2,728 73</u>
Excess of assets over liabilities.....		<u>\$8,484 79</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	46.5 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	1,029.
Amount	\$949,235.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,500. Largest amount in business section of any city or village, \$10,000. Association reinsures a few risks.
Management	The secretary-treasurer is also the general agent and has general charge of affairs; he passes on the applications and signs all checks; he has given a bond for \$10,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$3,500. Assets: Of the cash in bank \$7,000 draws interest at the rate of 3½ and 4 per cent. Bonds owned consist of \$2,000, par value, New York city, 1917, 4½ per cent.

CHEMICAL MUTUAL FIRE INSURANCE COMPANY

Home Office, Burlington Flats, N. Y.

Date of filing papers with secretary of state.....	December 20, 1898.
Counties in which business is transacted	Otsego, Herkimer, Lewis, Oswego, Onondaga.
Officers, addresses and salaries per year:	
President	Edgar W. Wright, Burlington Flats, \$50.
Vice-President	Emmett Bolton, Burlington Flats, nothing.
Secretary	Silas L. Kelsey, Burlington Flats, \$450.
Treasurer	F. L. Day, Burlington Flats, \$25.

FINANCIAL EXHIBIT, AS OF OCTOBER 21, 1909

ASSETS

Cash in bank	\$1,366 15	
Bond, market value.....	1,030 00	
Notes, unsecured	100 00	
Loan to Otsego Mutual Fire Insurance Co.	59 74	
Uncollected premiums (net).....	898 50	
Interest accrued on bond.....	10 22	
Gross assets		\$3,464 61

DEDUCT ASSETS NOT ADMITTED

Notes, unsecured	\$100 00	
Uncollected premiums (net) over three months due.	144 85	
		244 85
Total admitted assets.....		\$3,219 76

LIABILITIES

Salaries	\$422 91	
Total liabilities	\$422 91	
Excess of assets over liabilities.....		\$2,796 85

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	32.3 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	2,842.
Amount	\$1,292,682.
Classes of property insured.	All classes.
Rates	Estimated on one-year policies to be 75 per cent.; on three-year policies, 66 to 75 per cent. of board rates.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.

Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,000. Largest amount in business section of any city or village, \$5,000: Association does not reinsure any risks.
Management	Secretary has general charge of affairs. Secretary and president pass on applications. Checks signed by secretary, but no bond given. Treasurer bonded for \$10,000.
Other items.....	Unearned premiums approximately \$5,000. Assets: Bond owned by association consists of \$1,000, Union Pacific Railroad Company, 4 per cent., 1947. Bookkeeping system should be changed and books balanced. Unsecured note was paid before December 1st.

CHURCH INSURANCE ASSOCIATION OF THE STATE OF NEW YORK

Home Office, Rochester, N. Y.

Date of incorporation.....	Incorporated by chapter 134, Laws of 1891.
Counties in which business is transacted	Entire state.
Officers, addresses and salaries per year:	
President	George B. Watkins, Rochester, N. Y., \$200.
Vice-President	Wm. H. Caldwell, Rochester, N. Y., none.
Secretary	G. M. W. Bills, Rochester, N. Y., \$1,000.
Treasurer	Charles F. Pond, Rochester, N. Y., \$50.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

LEDGER ASSETS

Cash in bank	\$12,545 29
Cash in office	153 53
Uncollected premiums	1,180 93
Due from Firemen's Insurance Co. of New Jersey..	700 67
Total ledger assets	\$14,580 42

NON-LEDGER ASSETS

Accrued interest on cash in banks.....	63 12
Gross assets	\$14,643 54

1154 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums over three months due.....	\$185 07	
Due from Firemen's Insurance Co. of New Jersey..	326 97	\$512
		<hr/>
Total admitted assets.....		\$14, 131

LIABILITIES

Unpaid losses:		
Adjusted, not due	\$2, 735 4	
Reinsurance	1, 845 1	
	<hr/>	
Total liabilities	\$4, 580 8	
	<hr/>	
Excess of assets over liabilities.....	\$9, 550 61	

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	58.1 per cent. of premium receipts.
Insurance in force December 31, 1908:	
Number of policies.....	2,000.
Amount	\$3,032,001.21.
Classes of property insured.	Churches and contents, parsonages and contents and property belonging to religious societies and clergymen.
Rates	On churches and contents estimated to be 26 per cent. less than board rates. All other property, 15 per cent. less.
Term of policies.....	Three years.
Amount of premium paid in advance	Entire premium, and on new policies, \$1.50 membership fee.
Rate of assessment.....	In 1900 assessment levied of \$6,183.22.
Method of transacting business	Charter as granted by legislature prescribes method. All business is done by correspondence, no agents being employed. Policyholders required to sign application. Files annual report with insurance department. Largest net risk in force, \$3,400. About one-half of all business written is reinsured with two stock fire companies and one co-operative association. On reinsured policies policyholder is charged rate paid to reinsuring company.
Management	Risks are passed upon by secretary. All checks are signed by treasurer and countersigned by secretary.
Other items.....	Assets: \$6,184.10 of cash in bank draws 3 1/2 per cent. interest. Unearned premiums not charged as a liability, \$6,379.71.

CITIZENS' FIRE INSURANCE ASSOCIATION OF
ONEIDA COUNTY

Home Office, Utica, N. Y.

Date of filing papers with
secretary of state..... December 28, 1903.
Counties in which business
is transacted Oneida, Herkimer, Oswego, St. Lawrence,
Jefferson.

Officers, addresses and sala-
ries per year:

President C. A. Jones, Utica, N. Y., none.
Vice-President J. J. Buckley, Utica, N. Y., none.
Secretary Alex. A. Linck, Utica, N. Y., none.
Treasurer W. J. Sullivan, Utica, N. Y., none.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 14, 1909

LEDGER ASSETS

Cash in bank	\$79 90	
Uncollected premiums (net) not over three months due	171 64	
Total assets		\$251 54

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$238 94	
Borrowed money	750 00	
Interest	7 53	
Due for reinsurance	54 83	
Due agents	54 38	
Total liabilities		\$1,105 68
Excess of liabilities over assets		\$854 14

MISCELLANEOUS INFORMATION

Expenses of management from January 1 to Au- gust 31, 1909.....	30.3 per cent. of premium income.
Insurance in force August 31, 1909:	
Number of policies.....	391.
Amount, July 1, 1909....	\$376,501.
Classes of property insured.	All classes.
Rates	Board rate on dwelling-houses. On mercantile risks estimated 10 to 25 per cent. less than board rate.
Term of policies.....	One and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	Under instructions from this department an assessment was levied in October, 1909, to make good deficiency as of September 14, 1909.

1156 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Method of transacting business	Policyholders not required to sign applications. Reinsures risks with Empire State Fire Insurance Association of Utica, which is under same management. Some of the reinsured risks located in counties where association is not entitled to transact business. Maximum risk, \$1,000.
Management	Secretary has general charge of affairs and passes on applications; he receives regular agent's commission on business written by him.
Other items.....	Unearned premiums not charged as a liability, \$1,992.31. Liabilities: The borrowed money for \$750 consists of two notes for borrowed money used to pay losses. The notes bear 6 per cent. interest.

CITIZENS' FIRE INSURANCE COMPANY OF SARATOGA COUNTY

Home Office, Mechanicville, N. Y.

Date of filing papers with secretary of state.....	April 7, 1898.
Counties in which business is transacted	Saratoga, Washington, Warren, Essex, Rensselaer, Fulton, Albany, Schenectady.
Officers, addresses and salaries per year:	
President	R. C. Vandenburg, Ballston Spa, nothing.
Vice-President	H. H. Ferris, Ballston Spa, nothing.
Secretary	Frank P. Tucker, Mechanicville, \$600.
Treasurer	R. N. Garrett, Ballston Spa, nothing.

FINANCIAL EXHIBIT, AS OF NOVEMBER 15, 1909

ASSETS		
Cash in bank	\$2,383 09	
Cash in office	72 88	
Note, unsecured	600 00	
Uncollected premiums (net).....	1,730 51	
Gross assets		\$4,786 48
DEDUCT ASSETS NOT ADMITTED		
Note, unsecured	\$600 00	
Uncollected premiums (net) over three months due.	672 99	
		1,272 99
Total admitted assets.....		\$3,513 49

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$747 00	
Unadjusted (estimated).....	631 53	
		\$1, 278 53
Borrowed money		1, 500 00
Interest		72 50
Salaries		25 00
Unpaid bills		25 00
Total liabilities		\$2, 901 03
Excess of assets over liabilities.....		\$612 46

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	31.3 per cent. of premium income.
Insurance in force September 1, 1909:	
Number of policies.....	1,976.
Amount	\$1,638,608.08.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$10,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on applications. All checks are signed by the treasurer and countersigned by secretary. Secretary and treasurer are bonded for \$2,000 each. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$6,000. Liabilities: Borrowed money consists of two notes for total amount of \$1,500, bearing 6 per cent. interest. On November 12, 1909, the officers, directors and agents contributed \$11,000 as a gift to association, thereby making good a deficiency of \$9,572.27, existing on October 31, 1909. On September 1, 1906, the deficiency was about \$16,000, and on that date the management was changed.

THE COMMERCIAL MUTUAL FIRE INSURANCE COMPANY OF GREENE COUNTY

Home Office, Catskill, N. Y.

Date of filing papers with secretary of state.....	December 4, 1895.
Counties in which business is transacted	Greene, Delaware, Otsego, Chenango, Broome, Orange, Ulster, Dutchess.
Officers, addresses and salaries per year:	
President	Omar V. Sage, Catskill, \$1,000.
Secretary and Treasurer.	Clarence E. Bloodgood, Catskill, \$1,000.

FINANCIAL EXHIBIT, AS OF OCTOBER 9, 1909

LEDGER ASSETS

Cash in bank.....	\$6,041 33	
Loan to Co-operative Fire Insurance Company....	1,000 00	
Uncollected premiums (net).....	5,282 38	
Total ledger assets.....		\$12,323 71

NON-LEDGER ASSETS

Accrued interest on cash in bank.....	48 73	
Total assets		\$12,372 44

LIABILITIES

Unpaid losses:		
Adjusted, not due	\$1,250 00	
Unadjusted	110 00	
		\$1,360 00
Salaries		1,055 00
Unpaid bills and rent.....		50 00
Total liabilities		\$2,465 00
Excess of assets over liabilities.....		\$9,907 44

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	39.1 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	3,867.
Amount, October 9, 1909.	\$3,827,706.85.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.

Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$30,000. Association reinsures a few risks.
Management	President has general charge of affairs and with the secretary, both officers composing the executive committee, passes on the applications. Neither of the officers are bonded. Directors, of whom there are fifteen, receive \$15 each per year. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$14,000. Assets: Of cash in bank \$5,000 draws 3½ per cent. interest. "Loan to Co-operative Fire Insurance Company" is a temporary loan to that association which is under the same management, the loan being made so that investments would not be disturbed.

THE CO-OPERATIVE FIRE INSURANCE COMPANY OF GREENE, SCHOHARIE AND DELAWARE COUNTIES

Home Office, Catskill, N. Y.

Date of filing papers with secretary of state.....	August, 1886.
Counties in which business is transacted	Greene, Schoharie, Delaware, Columbia, Dutchess, Ulster, Orange, Broome, Westchester.
Officers, addresses and salaries per year:	
President	Omar V. Sage, Catskill, \$2,000.
Secretary and Treasurer.	Clarence E. Bloodgood, Catskill, \$1,500.

FINANCIAL EXHIBIT. AS OF OCTOBER 9, 1909

LEDGER ASSETS	
Cash in bank	\$26,220 69
Cash in office	842 93
Bonds, book value.....	5,250 00
Mortgage loans	800 00
Note, secured by assignment of mortgage.....	3,000 00
Note of Citizens' Fire Ins. Co. of Saratoga County.	1,500 00
Uncollected premiums (net).....	6,174 79

Total ledger assets..... \$43,788 41

NON-LEDGER ASSETS

Increase in market value of bonds over book value..	\$225 00	
Accrued interest on cash in banks.....	300 20	
Accrued interest on mortgage.....	14 00	
Accrued interest on notes.....	69 56	
		<u>\$608 76</u>
Total assets		<u>\$44,397 17</u>

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$2,566 00	
Unadjusted	345 00	
		<u>\$2,911 00</u>
Unpaid bills, rent, etc.		50 00
Salaries		855 00
Borrowed money		<u>2,500 00</u>
Total liabilities		<u>\$6,316 00</u>
Excess of assets over liabilities.....		<u>\$38,081 17</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	37 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	5,003.
Amount October 9, 1909..	\$5,323,589.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$30,000. Association reinsures a few risks.
Management	President has general charge of affairs, and money received is deposited by him in the bank to joint credit of president and secretary. President is bonded for \$10,000. All checks are signed by president and secretary and all risks are passed upon by these officers, who compose the executive committee. Agents receive 20 per cent. commission.

Other items..... Unearned premiums, not charged as a liability, approximately \$20,000. Assets: Of the cash in bank \$26,166.19 draws interest at $3\frac{1}{2}$ and 4 per cent. Bonds owned consist of New York city, 1957, $4\frac{1}{2}$ gold bonds. The note of Citizens' Fire Insurance Company was paid by that association on November 12, 1909.

EMPIRE STATE FIRE INSURANCE ASSOCIATION OF UTICA, ONEIDA COUNTY, N. Y.

Home Office, Utica, N. Y.

Date of filing papers with
secretary of state..... February 17, 1905.
Counties in which business
is transacted Oneida, Otsego, Chenango, Delaware, Mont-
gomery.
Officers, addresses and sala-
ries:
Vice-President J. J. Buckley, nothing.
Secretary Alex. A. Linck, nothing.
Treasurer W. J. Sullivan, nothing.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 14, 1909

LEDGER ASSETS

Uncollected premiums (net) not over three months due.....	\$91 65
Total assets	\$91 65

LIABILITIES

Unpaid losses:	
Adjusted, not due.....	\$290 56
Total liabilities	\$290 56
Excess of liabilities over assets.....	\$198 91

MISCELLANEOUS INFORMATION

Insurance in force:
Number of policies Au-
gust 31, 1909..... 355.
Amount July 1, 1909..... \$310,939.
Classes of property insured. All classes.
Rates On dwelling-houses, board rate. On mercantile
risks estimated to be from 10 to 25 per cent.
less.
Term of policies..... One year (or less) and three years.
Amount of premium paid in
advance Entire premium.
Method of transacting busi-
ness Policyholder is not required to sign the appli-
cation. Maximum risk written, \$1,000. The
only record books used are a check book and
policy register.

Management Secretary has general charge of affairs of association and passes on application; receives no salary except regular agent's commission on business written by him. Agents receive 20 per cent. commission. On December 10, 1909, secretary filed affidavit with insurance department that deficiency was made good on November 30, 1909.

THE GREENE COUNTY MUTUAL FIRE INSURANCE COMPANY

Home Office, Greenville, N. Y.

Date of filing papers with secretary of state..... May 24, 1893.
 Counties in which business is transacted Greene, Albany, Schoharie, Columbia, Delaware, Dutchess, Ulster, Orange.
 Officers, addresses and salaries per year:
 President Richard Earl, Greenville, \$200.
 Vice-President Edgar Roe, Greenville, nothing.
 Secretary and Treasurer. James Stevens, Greenville, \$1,500.

FINANCIAL EXHIBIT, AS OF OCTOBER 31, 1909

LEDGER ASSETS

Cash in bank	\$11,393 25
Bonds, book value.....	7,159 00
Book value of real estate.....	2,200 00
Note, Knights of Pythias.....	450 00
Note, Greenville School District.....	300 00
Mortgage loans	4,000 00
Uncollected premiums (net).....	7,081 99

Total ledger assets..... \$32,584 24

NON-LEDGER ASSETS

Interest accrued on cash in bank.....	\$103 33
Interest accrued on mortgage loans	155 97
Interest accrued on notes	20 00
Interest accrued on bonds	190 00
	<u>469 30</u>

Gross assets \$33,053 54

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due..... 3,989 16

Total admitted assets..... \$29,064 38

LIABILITIES

Unpaid losses:	
Unadjusted	\$2,350 00
Salaries	833 33
Rent	16 66
	<hr/>
Total liabilities	\$3,199 99
	<hr/>
Excess of assets over liabilities.....	\$25,864 39
	<hr/>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	39.6 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	3,632.
Amount	\$3,878,100.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,500. Largest amount in business section of any city or village, \$30,000. Association reinsures a few risks.
Management	The secretary-treasurer has general charge of affairs, passes on the applications and signs the checks; he has given a bond for \$10,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$14,500. Assets: Of the cash in bank \$8,000 draws interest at the rate of 3½ and 4 per cent. Bonds owned consist of \$4,000, par value, New York city, 1917, 4½ per cent., and \$3,000, par value, Catskill town bonds, 1916, 4 per cent. Real estate owned is a ¾ interest in a business block in Greenville. Mortgage loans draw interest at 5 per cent.

HAMILTON MUTUAL FIRE INSURANCE COMPANY OF MADISON COUNTY

Home Office, Hamilton, N. Y.

Date of filing papers with secretary of state.....	November 18, 1902.
Counties in which business is transacted	Madison, Oneida, Cortland, Onondaga, Oswego, Jefferson.
Officers, addresses and sala- ries per year:	
President	Linn C. Beebe, Hamilton, \$200.
Vice-President	E. N. Dexter, Morrisville, nothing.
Secretary	A. J. Cushman, Madison, \$1,000.
Treasurer	J. W. Welch, Hamilton, \$100.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

LEDGER ASSETS

Cash in bank	\$7,020 81	
Cash in office	253 98	
Uncollected premiums (net)	3,249 65	
Total ledger assets.....		\$10,524 44

NON-LEDGER ASSETS

Interest accrued on cash in bank.....		45 71
Gross assets		\$10,570 15

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	1,688 60	
Total admitted assets.....		\$8,881 55

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$700 00	
Resisted	450 00	
		\$1,150 00
Salaries		354 00
Rent and telephone.....		33 63
Total liabilities		\$1,537 63
Excess of assets over liabilities.....		\$7,343 92

MISCELLANEOUS INFORMATION

Expenses of management,	49.7 per cent. of premium income.
Insurance in force June 30, 1909:	
Number of policies.....	2,268.
Amount	\$1,836,776.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies esti- mated to vary from 66 to 75 per cent. of board rate.

Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,800. Largest amount in business section of any city or village, \$10,000. Association reinsures a few risks.
Management	Secretary has general charge of affairs and passes on applications. Checks are signed by treasurer and countersigned by secretary. None of the officers has given a bond. Agents receive 20 per cent. commission.
Other items.....	Assets: Of cash in bank \$5,223.99 draws 3½ per cent. interest. Unearned premiums, not charged as a liability, approximately \$6,750.

HERKIMER FIRE INSURANCE COMPANY OF HERKIMER COUNTY

Home Office, Little Falls, N. Y.

Date of filing papers with secretary of state.....	May 15, 1903.
Counties in which business is transacted	Herkimer, Jefferson, Fulton, Oneida, St. Lawrence.
Officers, addresses and salaries per year:	
President	A. D. Morgan, Ilion, nothing.
Vice-President	Ivan T. Burney, Little Falls, nothing.
Secretary	John W. Fitzgerald, Little Falls, commission.
Treasurer	G. H. P. Stone, Ilion, nothing.

FINANCIAL EXHIBIT. AS OF SEPTEMBER 16. 1909

ASSETS	
Cash in bank	\$617 61
Uncollected premiums (net) not over three months due	438 37
Total assets	<u>\$1,055 98</u>

1166 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

LIABILITIES

Borrowed money	\$4,740 00
Unpaid bills	15 00
Due for reinsurance.....	21 50
Commissions	100 00
Interest	194 40
Total liabilities	<u>\$5,070 90</u>
Excess of liabilities over assets.....	<u>\$4,014 92</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	41 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	867.
Amount	\$340,968.16.
Classes of property insured.	All classes of property.
Rates	Estimated to average 75 per cent. of board rate.
Term of policies.....	One and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	Under instructions from this department assessment was levied in October, 1909, to make good deficiency as of September 16, 1909.
Method of transacting business	The secretary makes the rates on the various risks. A few policies are reinsured with the Mohawk Valley Fire Insurance Company. Maximum risk, \$4,000, but practically all risks are \$1,000 or less.
Management	Secretary has general charge of affairs and passes on applications; he receives in lieu of salary 30 per cent. of premium income, and from this pays all expenses except printing and adjusting.
Other items.....	Unearned premiums, \$1,626.45. Borrowed money: The association commenced to borrow money in June, 1905, the notes bearing 6 per cent. interest. A deficiency has existed since 1905.

HOME MUTUAL FIRE INSURANCE COMPANY OF BROOME COUNTY

Home Office, Binghamton, N. Y.

Date of filing papers with secretary of state.....	February 28, 1901.
Counties in which business is transacted	Broome, Delaware, Cortland, Onondaga, Oneida, Cayuga, Chenango.
Officers, addresses and salaries per year:	
President	John Bayless, Binghamton, \$300.
Vice-President	Charles D. Matthews, Binghamton, \$100.
Secretary	Franklin J. Bayless, Binghamton, \$1200.
Treasurer	Jacob Wiser, Binghamton, \$200.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

LEDGER ASSETS

Cash in bank	\$7,583 44	
Mortgage loans	12,150 00	
Note, secured by mortgage	400 00	
Note, Saratoga and Washington Co. Fire Ins. Co. of Mechanicville	530 00	
Book value collateral trust notes, Dare Lumber Co., Binghamton, N. Y.	1,980 00	
Book value, Bayless Pulp & Paper Co., Binghamton, N. Y., first mortgage bonds	3,445 00	
Uncollected premiums (net)	4,254 55	
Total ledger assets		\$30,342 99

NON-LEDGER ASSETS

Interest accrued on cash in bank	\$72 36	
Interest accrued on mortgage loans	307 55	
Interest accrued on notes	113 60	
Interest accrued on bonds	35 00	
		528 51
Gross assets		\$30,872 50

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due	787 22	
Total admitted assets		\$30,085 28

LIABILITIES

Unpaid losses:		
Adjusted, not due	\$986 73	
Salaries	150 00	
Total liabilities		1,136 73
Excess of assets over liabilities		\$28,948 55

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	21.2 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies	3,023.
Amount	\$2,752,414.20.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies esti- mated to vary from 66 to 75 per cent. of board rate.
Term of policies	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment	No extra assessment ever levied.

Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$3,000. Largest amount in business section of any city or village, \$50,000. Association has re-insured a few risks.
Management	J. L. McLaughlin of Binghamton is the general agent and receives a salary of \$1,000 per year for inspecting and adjusting. He passes on most of the applications. The secretary of the association is in charge of the financial affairs and securities. Checks are signed by secretary and treasurer. None of the officers have given a bond. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$10,000. Assets: Of the cash in bank, \$4,527.81 draws interest at 3 and 3½ per cent. The bonds owned consisted of bonds of industrial concerns in Binghamton. These have been sold by the association since the examination by the department.

HUDSON VALLEY FIRE INSURANCE COMPANY OF GREENE COUNTY

Home Office, Catskill, N. Y.

Date of filing papers with secretary of state.....	June 28, 1904.
Counties in which business is transacted	Greene, Ulster, Orange, Dutchess, Columbia.
Officers, addresses and salaries per year:	
President	William J. Hughes, Catskill, \$300.
Vice-President	George S. Harding, Catskill, none.
Secretary and Treasurer.	C. E. Nichols, Catskill, \$900.

FINANCIAL EXHIBIT. AS OF NOVEMBER 8. 1909

LEDGER ASSETS

Cash in bank	\$2. 861 10
Cash in office	65 35
Uncollected premiums (net)	1. 987 75

Total ledger assets..... \$4,914 20

CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS 1169

NON-LEDGER ASSETS

Interest accrued on cash in bank.....	\$69 96
Gross assets	<u>\$4,984 16</u>

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	642 66
Total admitted assets	<u>\$4,341 50</u>

LIABILITIES

Unpaid losses:	
Unadjusted (estimated)	\$800 00
Salaries	340 00
Unpaid bills	5 00
Total liabilities	<u>\$1,145 00</u>
Excess of assets over liabilities.....	<u>\$3,196 50</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	35.5 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	1,118.
Amount	\$933,513.43.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,200. Largest amount in business section of any city or village, \$15,000. Association does not reinsure any risks.
Management	Secretary-treasurer, acting under the authority of executive committee, has general charge of affairs and passes on applications. None of the officers are bonded.
Other items.....	Unearned premiums, not charged as a liability, approximately \$3,500. Assets: Of the cash in bank, \$2,115.94 draws interest at the rate of 3 and 4 per cent.

THE MERCANTILE CO-OPERATIVE FIRE INSURANCE COMPANY OF GREENE COUNTY

Home Office, Catskill, N. Y.

Date of filing papers with secretary of state.....	October 12, 1903.
Counties in which business is transacted	Greene, Ulster, Dutchess, Orange, Albany.
Officers, addresses and sala- ries per year:	
President	William W. Bennett, Catskill, \$200.
Secretary and Treasurer.	George S. Harding, Catskill, \$800.

FINANCIAL EXHIBIT, AS OF AUGUST 31, 1909

LEDGER ASSETS

Cash in bank	\$2,987 68	
Cash in office	58 18	
Uncollected premiums (net)	1,641 04	
Total ledger assets.....		\$4,686 90

NON-LEDGER ASSETS

Accrued interest on cash in banks.....		42 62
Gross assets		\$4,729 52

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....		580 04
Total admitted assets		\$4,149 48

LIABILITIES

Unpaid losses:		
Unadjusted.....		\$750 00
Unpaid bills		2 55
Salaries		266 00
Rent		10 00
Total liabilities		\$1,028 55
Excess of assets over liabilities.....		\$3,120 93

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	40.6 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	932.
Amount	\$852,534.58.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies esti- mated to vary from 66 to 75 per cent. of board rate.

Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,500. Largest amount in business section of any city or village, \$23,000. Association reinsures a few risks.
Management	Secretary, acting under authority of executive committee, has general charge of affairs. Secretary-Treasurer has given a bond for \$5,000.
Other items.....	Unearned premiums, not charged as a liability, approximately \$3,000. Assets: Of the cash in bank, \$2,130.88 draws 3 per cent. interest.

THE MERCHANTS' AND FARMERS' FIRE INSURANCE COMPANY OF SCHOHARIE AND ALBANY COUNTIES

Home Office, Middleburgh, N. Y.

Date of filing papers with secretary of state.....	June 22, 1897.
Counties in which business is transacted	Schoharie, Albany, Otsego, Delaware, Montgomery, Saratoga, Washington.
Officers, addresses and salaries per year:	
President	Daniel D. Frisbie, Middleburgh, \$1,200.
Secretary	George D. Frisbie, Middleburgh, \$800.
Treasurer	Charles W. Vrooman, Middleburgh, \$200.

FINANCIAL EXHIBIT, AS OF NOVEMBER 12, 1909

LEDGER ASSETS

Cash in bank	\$1,816 59
Mortgage loans	2,650 00
Bonds, book value	1,500 00
Note, unsecured	200 00
Uncollected premiums (net).....	10,428 81

Total ledger assets \$16,595 40

1172 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

NON-LEDGER ASSETS

Interest accrued on mortgage loans.....	\$36 37	
Interest accrued on bonds.....	15 00	
		<u>\$51 37</u>
Gross assets		\$16,646 77

DEDUCT ASSETS NOT ADMITTED

Note, unsecured	\$200 00	
Uncollected premiums (net) over three months due.	8,149 63	
		<u>8,349 63</u>
Total admitted assets		\$8,297 14

LIABILITIES

Salaries	\$234 88	
Rent and clerk hire.....	35 00	
		<u>\$269 88</u>
Total liabilities		\$269 88
Excess of assets over liabilities.....		<u>\$8,027 26</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	36.5 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	3,206.
Amount	\$3,134,681.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$12,000. Association does not reinsure any risks.
Management	President has general charge of affairs and as a rule passes on the applications. In his absence this is done by the secretary. All checks are signed by the treasurer on an order signed by the president, secretary and one member of the executive committee. None of the officers has given a bond. Agents receive 20 per cent. commission.

Other items..... Unearned premiums, not charged as a liability, approximately \$11,500. Assets: Bonds owned consist of \$1,500, par value, of the Middleburgh and Schoharie Electric Light, Heat and Power Co. Interest, 5 per cent. The president of this corporation is the president of this association. Note, unsecured, was given for a loan made on August 9, 1909, and bears 5 per cent. interest.

MOHAWK VALLEY FIRE INSURANCE COMPANY OF HERKIMER COUNTY, N. Y.

Home Office, Little Falls, N. Y.

Date of filing papers with secretary of state.....	August 24, 1903.
County in which business is transacted	Herkimer.
Officers, addresses and sala- ries per year:	
President	Irving Snell, Little Falls, nothing.
Vice-President	A. W. Haselhurst, Herkimer, nothing.
Secretary	J. W. Fitzgerald, Little Falls, \$150.
Treasurer	L. O. Bucklin, Little Falls, nothing.

FINANCIAL EXHIBIT. AS OF SEPTEMBER 16, 1909

ASSETS

Cash in bank	\$2,589 28
Uncollected premiums (net) not over three months due	250 60

Total assets	\$2,839 88
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LIABILITIES

Salary	\$75 00
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Total liabilities	\$75 00
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Excess of assets over liabilities.....	\$2,764 88
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MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	21 per cent. of premium income.
Insurance in force June 30, 1909:	
Number of policies.....	535.
Amount	\$281,778.25.
Classes of property insured.	All classes.
Rates	Estimated to average 25 per cent. less than board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.

Method of transacting business

Property is insured in villages and cities. The secretary, having charge of the underwriting, makes the rates on the various risks. Maximum policy is \$4,000. Largest amount carried in any city block not over \$2,500. Policyholder not required to sign application. A few risks are reinsured.

Management

Secretary has general charge of affairs and passes on applications.

Other items.....

Unearned premiums, not charged as a liability, \$1,350. Cash in bank does not draw interest.

THE MUTUAL CREAMERY AND CHEESE FACTORY INSURANCE COMPANY

Home Office, Canton, N. Y.

Date of filing papers with secretary of state.....

May 7, 1895.

Counties in which business is transacted

St. Lawrence, Jefferson, Lewis, Herkimer, Oneida, Franklin, Clinton, Oswego, Madison, Otsego, Cortland, Chenango, Tioga, Broome, Chemung, Steuben, Allegany, Wyoming, Erie, Cattaraugus, Chautauqua.

Officers, addresses and salaries:

President

H. A. Rees, Lowville, 1¢ for each policy issued.

Secretary

G. A. LaLone, DeKalb Junction, 1¢ for each policy issued.

General Manager and

Treasurer

C. F. Clark, Canton, \$1 policy fee.

FINANCIAL EXHIBIT, AS OF NOVEMBER 2, 1909

ASSETS

Cash in bank \$1,834 27

Money loaned to Clark and Squires..... 1,873 98

Uncollected premiums (net)..... 2,202 86

Gross assets \$5,911 11

DEDUCT ASSETS NOT ADMITTED

Money loaned to Clark and Squires..... \$1,873 98

Uncollected premiums (net) over three months due. 1,405 26

3,279 24

Total admitted assets \$2,631 87

Unpaid losses:

LIABILITIES

Unadjusted (estimated) \$1,500 00

Salaries 225 00

Total liabilities \$1,725 00

Excess of assets over liabilities..... \$906 87

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	16.1 per cent. of premium income.
Insurance in force:	
Number of policies November 2, 1909	1,100.
Amount December 31, 1908.	\$904,756.
Classes of property insured.	Butter and cheese factories and contents.
Rates	Factories, \$2 per \$100; butter and cheese in storage, \$1.50 per \$100.
Term of policies	One year or less.
Amount of premium paid in advance	Entire premium and \$1 policy fee.
Rate of assessment	No extra assessment ever levied.
Method of transacting business	Premiums are paid in advance. After each loss an assessment is levied against the account of each policyholder covering the amount of the loss and expenses. If a policy expires and is not renewed; the policyholder is paid the amount, if any, saved from his premium. If the policy is renewed, the amount saved is credited on the renewal. Policyholders are required to sign the applications. Maximum risk written, \$2,500.
Management	Association employs a general agent, who inspects the risks and receives \$100 a month and expenses. General manager has charge of affairs, acts as treasurer, signs the checks and passes on the applications. He has given a bond for \$10,000. Agents receive as commission 50¢ for each policy written.
Other items	Assets: "Money loaned to Clark and Squires" consists of loans made to the partners, one of whom is the general manager, these loans not being secured, or evidenced by a note.

THE MUTUAL FIRE INSURANCE ASSOCIATION OF MONTGOMERY, FULTON AND HERKIMER COUNTIES

Home Office, Amsterdam, N. Y.

Date of filing papers with secretary of state	April 25, 1898.
Counties in which business is transacted	Montgomery, Herkimer, Fulton, Oneida, Madison, Schenectady, Albany.
Officers, addresses and salaries per year:	
President	W. W. Carpenter, Amsterdam, nothing.
Vice-President	D. B. Van Aken, Amsterdam, nothing.
Secretary	W. D. Welch, Gloversville, \$600.
Treasurer	George I. Herrick, Amsterdam, none.

1176 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS,

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

LEDGER ASSETS

Cash in bank	\$6,440 68
Cash in office	34 37
Uncollected premiums (net)	5,067 69

Total ledger assets \$11,542 74

NON-LEDGER ASSETS

Accrued interest on cash in banks 48 40

Gross assets \$11,591 14

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due 1,327 77

Total admitted assets \$10,263 37

Unpaid losses:

LIABILITIES

Adjusted, not due	\$22 50
Resisted	500 00

\$522 50

Unpaid bills 3 00

Money advanced by secretary 174 56

Reinsurance 116 95

Total liabilities \$817 01

Excess of assets over liabilities \$9,446 36

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	33.3 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	2,704.
Amount	\$2,264,885.31.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, in Amsterdam. Association does not reinsure any risks.

Management	Secretary has general charge of affairs and passes on the applications. All policies are issued from his office in Gloversville. All checks are signed by the treasurer. Secretary gives a bond for \$2,000 and treasurer for \$10,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$8,500. Assets: Of the cash in bank, \$2,000 draws interest at the rate of 3½ per cent.

THE MUTUAL FIRE INSURANCE ASSOCIATION OF SCHOHARIE, OTSEGO AND ALBANY COUNTIES

Home Office, Middleburgh, N. Y.

Date of filing papers with secretary of state.....	March 29, 1894.
Counties in which business is transacted	Schoharie, Otsego, Albany, Chenango, Mont- gomery.
Officers, addresses and sala- ries per year:	
President.....	W. E. Bassler, Middleburgh, \$1,400.
Secretary	George P. Wheeler, Middleburgh, \$700.
Treasurer	J. L. Engle, Middleburgh, \$350.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1900

LEDGER ASSETS

Cash in bank	\$4,282 06	
Mortgage loans	23,960 00	
Notes of corporations	800 00	
Note, Citizens' Fire Ins. Co.....	1,500 00	
Individual notes, unsecured	10,195 08	
Uncollected premiums (net).....	5,357 72	
Total ledger assets		\$46,094 86

NON-LEDGER ASSETS

Interest accrued on cash in bank.....	\$133 24	
Interest accrued on mortgage loans.....	747 18	
		880 42
Gross assets		\$46,975 28

DEDUCT ASSETS NOT ADMITTED

Individual notes, unsecured	\$10,195 08	
Uncollected premiums (net) over three months due.	1,702 73	
		11,897 81
Total admitted assets		\$35,077 47

LIABILITIES

Unpaid losses:	
Adjusted, not due	\$500 00
Salaries	1,837 00
Unpaid bills	18 00
Total liabilities	<u>\$2,355 00</u>
Excess of assets over liabilities	<u>\$32,722 47</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	37.6 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies	4,120.
Amount	\$4,328,436.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$41,000. Association does not reinsure any risks.
Management	President has general charge of affairs and passes on the applications. Treasurer signs checks and is bonded for \$10,000. Agents receive 20 per cent. commission.
Other items	Unearned premiums, not charged as a liability, approximately \$16,000. Assets: Of cash in bank, \$3,285.11 draws interest at 4 per cent. Mortgage loans consist of seventeen loans on property, located for the most part in Ravens and Middleburgh, these loans bearing 5 and 6 per cent. interest. The note of the Citizens' Fire Insurance Company was paid by that association on November 12, 1909. Before December 9, 1909, amount of unsecured notes was reduced to \$6,067.08.

NEW YORK CENTRAL MUTUAL FIRE INSURANCE
COMPANY

Home Office, Edmeston, N. Y.

Date of filing papers with secretary of state.....	May 4, 1899.
Counties in which business is transacted	Otsego, Chenango, Madison, Cortland, Broome, Cayuga, Onondaga, Oneida.
Officers, addresses and sala- ries per year:	
President	C. T. Coats, Edmeston, \$100.
Vice-President	Homer Underwood, Edmeston, nothing.
Secretary	V. D. Robinson, Edmeston, \$1200.
Treasurer	John L. Shaw, Edmeston, \$100.

FINANCIAL EXHIBIT, AS OF OCTOBER 28, 1909

LEDGER ASSETS

Cash in bank	\$13,859 43
Cash in office	719 92
Mortgage loans	4,000 00
Bonds, book value	6,198 33
Stocks, book value	25 00
Individual notes	1,500 00
Uncollected premiums (net).....	4,622 25

Total ledger assets	\$30,924 93
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NON-LEDGER ASSETS

Interest accrued on cash in bank.....	\$150 00
Interest accrued on mortgage loans.....	67 06
Interest accrued on bonds	35 23
	<u>252 29</u>

Gross assets	\$31,177 22
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DEDUCT ASSETS NOT ADMITTED

Individual notes	\$1,500 00
Uncollected premiums (net) over three months due.	1,591 43
	<u>3,091 43</u>

Total admitted assets	\$28,085 79
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Unpaid losses:	LIABILITIES	
Adjusted, not due		\$1,933 00
Rent, unpaid bills		43 00
Salaries		68 00

Total liabilities	\$2,044 00
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Excess of assets over liabilities.....	\$26,041 79
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MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	29.6 per cent. of premium income.
Insurance in force October 28, 1909:	
Number of policies.....	4,724.
Amount	\$4,321,045.89.

1180 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$10,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on the applications. Checks are signed by the treasurer and countersigned by the secretary. Treasurer is bonded for \$2,000. Agents receive 20 per cent. commission.
Other items.....	Assets: Bonds owned consist of railroad and school district bonds, paying 5 per cent. interest. The notes for \$1,500 were paid after the examination of association and proceeds deposited in bank. Unearned premiums, not charged as a liability, approximately \$16,000.

THE ONEIDA CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF ONEIDA AND MADISON COUNTIES

Home Office, Rome, N. Y.

Date of filing papers with secretary of state.....	February, 1895.
Counties in which business is transacted	Oneida, Madison, Chenango, Jefferson, Oswego and St. Lawrence.
Officers, addresses and salaries per year:	
President.....	F. E. Bacon, Rome, \$200.
Vice-President	J. T. Wiggins, Rome, nothing.
Secretary	W. H. Lewis, Rome, \$1,200.
Treasurer	W. L. Cramer, Oneida, \$200.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

LEDGER ASSETS

Cash in bank.....	\$2,358 38	
Cash in office	214 42	
Uncollected premiums (net).....	1,335 42	
Total ledger assets		\$3,908 22

NON-LEDGER ASSETS

Accrued interest on cash in bank.....	58 17	
Gross assets		\$3,966 39

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	227 58	
Total admitted assets		\$3,738 81

Unpaid losses:

LIABILITIES

Adjusted, not due	\$500 00	
Unadjusted	14 00	
		\$514 00
Money advanced by secretary		150 00
Salaries		400 00
Total liabilities		\$1,064 00
Excess of assets over liabilities.....		\$2,674 81

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	39.4 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	1,712.
Amount	\$1,383,789.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	Only assesment ever levied was on October 1, 1900, for four annual premiums, and this assesment was credited on the following four renewals.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$30,000. Association reinsures risks.

1182 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Management	Secretary has general charge of affairs and passes upon the applications. He has given a bond for \$1,000. All checks are signed by the treasurer and countersigned by the president and secretary. Treasurer is bonded for \$2,000. Agents receive 20 per cent. commission.
Other items.....	Assets: Of cash in bank, \$2,216.21 draws 3½ per cent. interest. Unearned premiums, not charged as a liability, approximately \$5,000.

OTSEGO MUTUAL FIRE INSURANCE COMPANY

Home Office, Burlington Flats, N. Y.

Date of filing papers with secretary of state.....	March 10, 1897.
Counties in which business is transacted	Otsego, Delaware, Oneida, Madison, Chenango, Sullivan, Ulster, Orange.
Officers, addresses and salaries per year:	
President	Edgar W. Wright, Burlington Flats, \$150.
Vice-President	Emmett Bolton, Burlington Flats, nothing.
Secretary	Silas L. Kelsey, Burlington Flats, \$1,500.
Treasurer	Charles M. Fish, Burlington, nothing.

FINANCIAL EXHIBIT, AS OF OCTOBER 21, 1909

ASSETS

Cash in bank	\$12,923 68
Mortgage loans	3,000 00
Bonds, market value	2,970 00
Stocks, market value	2,300 00
Notes, New York Central and Hudson River Railroad Co., 3 year, 1910, 5 per cent. market value..	1,000 00
Notes, unsecured	3,636 94
Interest due or accrued.....	251 63
Uncollected premiums (net)	2,859 38

Gross assets \$28,941 63

DEDUCT ASSETS NOT ADMITTED

Notes, unsecured	\$3,636 94
Uncollected premiums (net) over three months due.	475 47
	4,112 41

Total admitted assets \$24,829 22

LIABILITIES

Unpaid losses:	
Adjusted, not due	\$2,248 51
Unadjusted (estimated)	1,400 00
	\$3,648 51
Salaries	1,468 11
Borrowed from Chemical Mutual Fire Insurance Company....	59 74
	\$5,174 36
Total liabilities	\$5,174 36
Excess of assets over liabilities	\$19,654 86

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	29.6 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	5,211.
Amount	\$5,664,077.
Classes of property insured.	All classes.
Rates	One-year policies estimated to be 75 per cent. of board rate; three-year policies, 86 to 75 per cent.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment has ever been levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$15,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs of association, passes on applications and signs all checks. He is not bonded. The treasurer gives a bond for \$20,000. Since examination checks are signed by treasurer and countersigned by secretary.
Other items.....	Bookkeeping system should be more modern. Unearned premiums, not charged as a liability, \$20,000 (estimated). Assets: The bonds owned consist of railroad bonds bearing 4 per cent. interest. Of the cash in bank, \$7,909.38 draws interest at the rate of 3 and 4 per cent. Unsecured notes were paid before December 1st.

PREFERRED MUTUAL FIRE INSURANCE COMPANY

Home Office, New Berlin, N. Y.

Date of filing papers with secretary of state.....	October 9, 1896.
Counties in which business is transacted	Chenango, Madison, Oneida, Otsego, Delaware, Broome, Onondaga, Ulster, Orange.
Officers, addresses and salaries per year:	
President	I. L. Richter, New Berlin, nothing.
Secretary	F. E. Holmes, New Berlin, \$2,000.
Treasurer	A. D. Sprague, New Berlin, \$200.

1184 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT, AS OF AUGUST 25, 1909

LEDGER ASSETS

Book value of bonds.....	\$49,015 45
Cash in banks and trust companies.....	34,958 02
Cash in office	20 01
Uncollected premiums (net) not over three months due	5,406 55

Total ledger assets \$89,400 03

NON-LEDGER ASSETS

Increase in market value of bonds over book value.....	\$616 05
Interest accrued on bonds.....	591 15
Interest accrued on cash in banks.....	324 24
	<u>1,531 44</u>

Total assets \$90,931 47

LIABILITIES

Unpaid losses:	
Unadjusted (no proofs)	\$631 50
Salaries and rent	257 82

Total liabilities 889 32

Excess of assets over liabilities \$90,042 15

MISCELLANEOUS INFORMATION

Expenses of management from January 1 to August 25, 1909.....	31.9 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	7,557.
Amount	\$7,408,088.
Classes of property insured.	All classes.
Rates	One-year risks estimated to be 75 per cent. of board rates, and on three-year, 66 to 75 per cent.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State. and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$32,000. Association does not re-insure any risks.
Management	Secretary has general charge of affairs and passes on applications. Treasurer bonded in the sum of \$20,000. Agents receive 20 per cent. commission.

Other items..... Unearned premiums, not charged as a liability, \$30,599.42. Assets: \$23,161.34 of cash in bank draws interest at from 3 to 4 per cent. Practically all the bonds owned are railroad bonds bearing interest at from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent.

THE SARATOGA AND WASHINGTON FIRE INSURANCE COMPANY

Home Office, Mechanicville, N. Y.

Date of filing papers with secretary of state..... July 8, 1898.
 Counties in which business is transacted Saratoga, Washington, Rensselaer, Fulton, Albany, Columbia, Dutchess, Orange.
 Officers, addresses and salaries per year:
 President..... William H. Allen, Mechanicville, none.
 Vice-President George Hudson, Stillwater, none.
 Secretary Frank P. Tucker, Mechanicville, \$600.
 Treasurer H. O. Bailey, Mechanicville, none.

FINANCIAL EXHIBIT, AS OF OCTOBER 31, 1909

ASSETS

Cash in bank	\$631 54	
Uncollected premiums (net)	3,161 39	
Gross assets		\$3,782 93

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	595 26	
Total admitted assets		\$3,187 67

LIABILITIES

Unpaid losses:		
Unadjusted	\$800 00	
Borrowed money	2,500 00	
Interest	50 00	
Unpaid bills	11 48	
Total liabilities		\$3,161 48
Excess of assets over liabilities.....		\$26 19

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908 38.5 per cent. of premium income.
 Insurance in force December 31, 1908:
 Number of policies..... 3,889.
 Amount \$2,174,641.20.
 Classes of property insured. All classes.

Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$15,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on applications. All checks are signed by the treasurer and countersigned by secretary after an order has been issued by executive committee. None of the officers has given a bond. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$8,000. Liabilities: Borrowed money consists of notes given by association to the National Bank of Schuylerville, and bear 6 per cent. interest. On January 1, 1906, a deficiency existed of about \$22,000, at which time the management was changed.

SCHOHARIE AND OTSEGO MUTUAL FIRE INSURANCE COMPANY

Home Office, Cobleskill, N. Y.

Date of filing papers with secretary of state.....	October 25, 1895.
Counties in which business is transacted	Otsego, Schoharie, Broome, Montgomery, Chenango, Saratoga, Washington.
Officers, addresses and salaries per year:	
President	Judson Burhans, Cobleskill, \$100.
Secretary	W. D. Colclough, Cobleskill (less clerk hire), \$1,800.
Treasurer	John R. Becker, Cobleskill, \$100.

FINANCIAL EXHIBIT, AS OF OCTOBER 24, 1909

LEDGER ASSETS

Cash in bank	\$19,566 65
Cash in office	4 80
Uncollected premiums (net)	5,167 79
Total ledger assets	\$24,729 24

NON-LEDGER ASSETS

Interest accrued on cash in bank	366 66
Gross assets	\$25,095 90

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due	2,382 30
Total admitted assets	\$22,713 60

Unpaid losses:	LIABILITIES	
Unadjusted, estimated		\$1,600 00
Money advanced by secretary		16 79
Salaries		211 04
Total liabilities		\$1,827 83
Excess of assets over liabilities		\$20,885 77

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	31.3 per cent. of premium income.
Insurance in force:	
Number of policies	3,711.
Amount	\$3,384,459.35.
Classes of property insured	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rates. Three-year policies between 66 and 75 per cent.
Term of policies	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$35,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on applications. Checks are signed by president and secretary. None of the officers bonded. Agents receive 20 per cent. commission.

Other items..... Unearned premiums, not charged as a liability,
\$13,475.20. Assets: All the cash in bank is
deposited in the Farmers and Merchants'
Bank of Cobleskill; \$11,000 draws interest
at the rate of 4 per cent.

THE SECURITY MUTUAL FIRE INSURANCE COM- PANY OF DELAWARE COUNTY

Home Office, Delhi, N. Y.

Date of filing papers with
secretary of state..... December 15, 1897.
Counties in which business
is transacted Delaware, Chenango, Madison, Oneida, Broome,
Sullivan, Orange, Westchester.
Officers, addresses and sala-
ries per year:
President James R. Honeywell, Delhi, \$150.
Vice-President Willis H. Cavan, Delhi, nothing.
Secretary Oscar S. Nichols, Delhi, \$1,200.
Treasurer Robert P. McIntosh, Delhi, \$150.

FINANCIAL EXHIBIT, AS OF OCTOBER 31, 1909

LEDGER ASSETS

Cash in bank	\$6,484 71
Cash in office	1,610 46
Bonds, book value	2,500 00
Mortgage loans	12,750 00
Uncollected premiums (net)	3,312 22

Total ledger assets	\$26,657 39
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NON-LEDGER ASSETS

Interest accrued on cash in bank.....	\$270 00
Interest due or accrued on mortgage loans.....	504 58
Interest accrued on bonds.....	60 32

834 90

Gross assets	\$27,492 29
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DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	438 11
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Total admitted assets	\$27,054 18
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Unpaid losses:

LIABILITIES

Adjusted, not due	\$547 50
Unadjusted (estimated)	600 00

\$1,147 50

Salaries	750 00
Unpaid bills	50 00

Total liabilities	\$1,947 50
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Excess of assets over liabilities.....	\$25,106 68
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MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	26.8 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	3,928.
Amount	\$3,844,489.88.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board. Three-year estimated to average 66 to 70 per cent.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment has ever been levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Association does not reinsure any risks.
Management	Secretary has general charge of affairs and passes on applications. He has given a bond in the sum of \$5,000. Checks are signed by president and treasurer. Treasurer bonded for \$5,000. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, \$13,849.90. Assets: Provided \$8,000 is deposited, cash in bank draws 3 per cent. interest. Bonds owned consist of bonds of school district No. 2, town of Andes, and bear interest at rate of 4 per cent.

UNION MUTUAL FIRE INSURANCE COMPANY OF
SCHOHARIE COUNTY

Home Office, Middleburgh, N. Y.

Date of filing papers with secretary of state.....	May 5, 1905.
County in which business is transacted	Schoharie.
Officers, addresses and salaries per year:	
President	D. D. Frisbie, Middleburgh, \$50.
Secretary	J. Edward Young, Middleburgh, \$50.
Treasurer	Olin A. Snyder, Middleburgh, \$50.

1190 Co-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT, AS OF NOVEMBER 12, 1909

ASSETS	
Cash in bank	\$295 50
Cash in office	77 01
Uncollected premiums (net).....	185 40
Gross assets	\$557 91
DEDUCT ASSETS NOT ADMITTED	
Uncollected premiums (net) over three months due.....	85 32
Total admitted assets	\$472 59
LIABILITIES	
Salaries	\$75 00
Total liabilities	\$75 00
Excess of assets over liabilities.....	\$397 59

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	20.6 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	330.
Amount	\$211,857.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,000. Largest amount in business section of any city or village, \$5,000. Association does not reinsure any risks.
Management	George D. Frisbie is managing clerk and passes on the applications. He receives as salary \$300 per year. All checks are signed by the treasurer and are issued on an order signed by the president, secretary and one member of the executive committee. None of the officers has given a bond. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$750.

UTICA FIRE INSURANCE COMPANY OF ONEIDA COUNTY, N. Y.

Home Office, Utica, N. Y.

Date of filing papers with secretary of state.....	December 2, 1903.
Counties in which business is transacted	Oneida, Chenango, Otsego, Madison, Herkimer.
Officers, addresses and sala- ries per year:	
Acting-President.....	George I. Griffin, Utica, none.
Secretary	H. A. Ackroyd, Utica, \$400.
Treasurer	Frederick W. Owen, Utica, none.
General Manager.....	F. E. Holmes, New Berlin, \$400.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 16, 1909

LEDGER ASSETS

Cash in bank	\$5,152 29	
Cash in office	298 06	
Uncollected premiums (net) not over three months due	1,420 68	
Total ledger assets		\$6,871 03

NON-LEDGER ASSETS

Accrued interest on cash in bank.....	61 96	
Total assets		\$6,932 99

LIABILITIES

Unpaid bills, rent, etc.....	\$12 55	
Salaries	300 00	
Total liabilities		312 55
Excess of assets over liabilities.....		\$6,620 44

MISCELLANEOUS INFORMATION

Expenses of management, January 1, 1909, to Sep- tember 16, 1909.....	33.3 per cent. of premium income.
Insurance in force:	
Number of policies.....	1,557.
Amount	\$1,132,116.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies esti- mated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment has ever been levied.

Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$1,000. Association reinsures a few risks.
Management	The general manager passes on the applications and the policies are issued from his office, and in general he has charge of affairs of association. Secretary and treasurer are bonded for \$500 each. Agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, \$5,643.71. Assets: Of the cash in bank, \$2,500 draws interest at the rate of $3\frac{1}{2}$ per cent.

THE VILLAGE FIRE INSURANCE ASSOCIATION OF GREENVILLE, DURHAM, WESTERLO AND RENSSELAERVILLE

Home Office, Greenville, N. Y.

Date of organization.....	May 14, 1856.
Date of filing papers with secretary of state.....	1890.
Counties in which business is transacted	Greene, Albany, Schoharie, Columbia, Delaware, Dutchess, Ulster, Orange.
Officers, addresses and salaries per year:	
President	W. A. Wasson, Greenville, \$200.
Secretary and Treasurer.	O. C. Stevens, Greenville, \$1,200.

FINANCIAL EXHIBIT, AS OF OCTOBER 31, 1909

LEDGER ASSETS	
Cash in bank	\$22, 917 73
Cash in office	23 24
Bonds, book value	7, 329 37
Uncollected premiums (net).....	5, 988 70
Total ledger assets	\$36, 259 04
NON-LEDGER ASSETS	
Increase in market value of bonds over book value.	\$120 63
Interest accrued on cash in bank.....	390 83
Interest accrued on bonds.....	185 83
	697 29
Gross assets	\$36, 956 33

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums (net) over three months due.....	2, 115 69
Total admitted assets.....	<u>\$34, 840 64</u>

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$1, 000 00	
Unadjusted (estimated)	25 00	
		\$1, 025 00
Salaries		66 66
Rent		12 50
Total liabilities		<u>\$1, 104 16</u>
Excess of assets over liabilities.....		<u>\$33, 736 48</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	33.7 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	3,884.
Amount October 1, 1909.	\$4,166,339.16.
Classes of property insured.	All classes.
Rates	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Member of Five County Co-operative Fire Underwriters' Association of New York State, and makes advance charges for premiums on the proportional premium plan. Risks are written in cities and villages and all risks divided into twelve classes, the premium rate being based on the class of the risk. Such classes include farm property, schoolhouses, churches, etc., residential property, mercantile property, hotels and special hazards. Policyholders not required to sign applications. Maximum risk written, \$2,000. Largest amount in business section of any city or village, \$25,000. Association reinsures risks with other associations in Greenville.
Management	Secretary-treasurer has general charge of affairs, passes on the applications and signs all the checks. He has given a bond for \$10,000. The agents receive 20 per cent. commission.
Other items.....	Unearned premiums, not charged as a liability, approximately \$15,000. Assets: Of the cash in bank, \$19,000 draws interest at the rate of 3½ and 4 per cent. The bonds owned by association consist of \$5,000, N. Y. City, 1957, 4½; \$1,000, Town of Greenville, School Bonds, 4 per cent., and \$1,000, Town of Catskill, Bridge Bonds, 1916, 4 per cent.

WYOMING VALLEY FIRE INSURANCE COMPANY

Home Office, Warsaw, N. Y.

Date of filing papers with secretary of state.....	February 22, 1892.
Counties in which business is transacted	Wyoming, Livingston, Erie, Genesee, Allegany.
Officers, addresses and salaries per year:	
President	A. N. Peckham, Pike, \$100.
Vice-President	E. W. Cooper, Perry, nothing.
Secretary	W. W. Smallwood, Warsaw, \$1,200.
Treasurer	J. E. Brainerd, Gainesville, \$100.

FINANCIAL EXHIBIT, AS OF AUGUST 31, 1909

ASSETS

Cash in bank	\$11,837 97	
Uncollected premiums (net)	8,230 60	
Gross assets		\$20,068 57

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums over three months due.....	1,183 25	
Total admitted assets.....		\$18,885 32

LIABILITIES

Unpaid losses:		
Adjusted, not due.....	\$8,257 54	
Unadjusted (estimated)	500 00	
		\$8,757 54
Borrowed money (due secretary).....		113 11
Total liabilities		\$8,870 65
Excess of assets over liabilities.....		\$10,014 67

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	29.9 per cent. of premium income.
Insurance in force August 31, 1909:	
Number of policies.....	3,164.
Amount	\$6,031,290.25.
Classes of property insured.	All classes.
Rates	Estimated to be from 80 to 90 per cent of board rates.
Term of policies.....	One and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No assessment since reorganization on June 30, 1907.

Method of transacting business	From the date of organization until June 30, 1907, the advance charge was \$2 per \$1,000 for three years, and an assessment levied each year. As of June 30, 1907, all policies were cancelled and return premium, if desired, applied on premium on advance premium plan, and since this time all policies have been issued on that plan. Maximum risk on farm property, \$5,000, and on mercantile risks, \$3,000. Largest amount carried in business section of any village or city, \$15,000. Practically all applications signed by policyholder. Association has no reinsured policies in force.
Management	Secretary has general charge of affairs and passes on applications. Agents receive 20 per cent. commission. All checks signed by president and treasurer.
Other items.....	Assets: The cash in bank draws 3 per cent. interest.

ADVANCE PREMIUM ASSOCIATIONS**CLASS B**

THE FOLLOWING FIVE REPORTS OF ADVANCE PREMIUM ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE THOSE ASSOCIATIONS IN WHICH A PERCENTAGE OF THE ESTIMATED COST IS PAID IN ADVANCE AND AN ASSESSMENT OR ADDITIONAL PAYMENT MADE EACH YEAR

BARON STEUBEN CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Ithaca, N. Y.

Date of filing papers with secretary of state.....	February 8, 1900.
Counties in which business is transacted	Steuben, Ontario, Tompkins, Seneca, Chemung, Broome, Allegany, Cortland, Cattaraugus.
Officers, addresses and salaries per year:	
President	G. M. Boynton, Ithaca, N. Y., \$300.
Vice-President	Orson E. Wolcott, Corning, nothing.
Secretary and Treasurer.	C. E. Chapman, Ithaca, 25 per cent. of entrance fees not to exceed \$2,900, less clerk hire.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 24, 1909**ASSETS**

Cash in bank	\$6,343 83
Cash in office	733 05
Uncollected premiums (net)	5,452 82
Uncollected assessments (estimated)	11,648 40

Gross assets	\$24,178 10
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DEDUCT ASSETS NOT ADMITTED

Uncollected premiums over three months due.....	996 30
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Total admitted assets.....	\$23,081 80
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LIABILITIES

Unpaid losses:	
Adjusted, not due.....	\$6,253 50
Unadjusted	101 96

Total unpaid losses.....	\$6,355 46
Borrowed money	1,300 00
Interest	42 59

Total liabilities	\$7,698 05
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Excess of assets over liabilities.....	\$15,383 75
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MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	30.7 per cent. of premium receipts.
Insurance in force December 31, 1908:	
Number of policies.....	7,702.
Amount	\$9,310,910.
Classes of property insured.	All classes.
Rates.....	Estimated to be 80 per cent. of board rate.
Term of policies.....	One and three years.
Amount of premium paid in advance	On one-year policies, all. On three-year, 30 per cent. and one-third of remaining 70 per cent.
Rate of assessment.....	Since organization, with exception of 1908, 25 per cent. above normal on three-year policies.
Method of transacting business	30 per cent. of estimated cost is called an entrance fee for expenses, remaining 70 per cent. a guarantee fee to pay losses. One-year policies are not assessed. Three-year policies at end of first and second years are assessed for one-third of guarantee fee, if such assessment is normal, but it can be increased or decreased in accordance with experience. Maximum risk, \$2,000. About one-fourth of all business is reinsured from Tompkins County Co-operative Fire Ins. Co., and writes direct only in Steuben county.
Management	Secretary has general charge of affairs and does practically all adjusting. Secretary-treasurer bonded for \$8,000. Agents receive as commission 50 per cent. of entrance fee and 2 per cent. of assessments collected by them.
Other items.....	Unearned premiums, approximately \$30,000. Assets: \$5,404.83 of cash in bank draws 3½ per cent. interest. Liabilities: Borrowed money was repaid before November 9, 1909.

THE CO-OPERATIVE FIRE INSURANCE COMPANY OF WYOMING AND GENESEE COUNTIES

Home Office, Darien, N. Y.

Date of filing papers with secretary of state.....	February 22, 1892.
Counties in which business is transacted	Wyoming, Genesee, Erie, Niagara, Orleans.
Officers, addresses and salaries:	
President	Roswell C. Curtis, Alexander, none.
Vice-President	H. K. Smith, Linden, none.
Secretary	F. M. Rogers, Darien, 50¢ for each policy issued.
Treasurer	Frank Stedman, Attica, none.

1198 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

FINANCIAL EXHIBIT, AS OF OCTOBER 1, 1909

ASSETS

Cash in bank	\$168 08	
Cash in office	254 35	
Unpaid assessments	4,900 00	
Uncollected premiums (net)	548 57	
Gross assets		\$5,871 00

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums over three months due	147 56	
Total admitted assets		\$5,723 44

LIABILITIES

Unpaid losses:		
Adjusted and due	\$420 00	
Adjusted, not due	1,370 00	
		\$1,790 00
Salary		236 40
Borrowed money		2,550 00
Interest		30 70
Total liabilities		\$4,607 10
Excess of assets over liabilities		\$1,116 34

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	22.7 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies	1,063.
Amount	\$1,506,000.
Classes of property insured.	Dwellings, farm property, churches and school-houses.
Rates	Property classified: 45¢ to \$1.25 per \$100 for three years.
Term of policies	One or three years.
Rate of assessment	On each \$100 of insurance on assessment plan: 1905, 25¢; 1906, 18¢; 1907, 25¢; 1908, 20¢; 1909, 33 1/3¢.
Method of transacting business	From date of organization until March 1, 1909, an advance charge made of 25¢ for each \$100 of insurance and an assessment levied each year. Since March 1, 1909, policyholder has had option of paying entire premium in advance, 30 per cent. being called an entrance fee and 70 per cent. guarantee fee; or he could pay in advance only the entrance fee and be assessed each year. Policyholder not required to sign application. Maximum risk. \$1,500. Only a few policies issued on mercantile risks. Reinsured two policies.
Management	Secretary and treasurer bonded for \$5,000 each. Agents receive as commission 15 per cent.

THE LANCASTER MUTUAL FIRE INSURANCE COMPANY OF ERIE COUNTY, NEW YORK

Home Office, Lancaster, N. Y.

Date of organization.....	January 16, 1889.
Date of filing papers with secretary of state.....	March 13, 1895.
County in which business is transacted	Erie.
Officers, addresses and sala- ries per year:	
President	Joseph Adolf, Lancaster, N. Y., none.
Vice-President	Philip Guetlich, Lancaster, N. Y., none.
Secretary	Peter P. Adolf, Lancaster, N. Y., \$75.
Treasurer	John Grau, Lancaster, N. Y., \$15.

FINANCIAL EXHIBIT AS OF NOVEMBER 30, 1909.

LEDGER ASSETS

Cash in bank	\$17,163 72
Uncollected premiums	84 43
Total ledger assets	\$17,248 15

NON-LEDGER ASSETS

Accrued interest on cash in bank.....	250 62
Gross assets	\$17,498 77

DEDUCT ASSETS NOT ADMITTED

Cash in German Bank of Buffalo.....	1,272 28
Total-admitted assets	\$16,226 49

LIABILITIES

Salaries	\$123 75
Commission	88 00
Rent.	5 00
Total liabilities	\$216 75
Excess of assets over liabilities.....	\$16,009 74

MISCELLANEOUS INFORMATION

Insurance in force:	
Number of policies.....	304.
Amount.....	\$256,935.
Classes of property insured.	Farm property, detached dwellings and mer- cantile property.
Term of policies.....	Five years.
Amount of premium paid in advance	One-fourth of premium as fixed by committee of board of directors.
Rate of assessment.....	No assessments levied.

1200 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Method of transacting business

Property insured is classified and rate thereon fixed by a committee of the board of directors. Policyholder gives note for full premium and pays one-fourth of note in advance and 20 per cent. of his note each year thereafter. Policyholder is required to sign original application, but not renewals. Maximum risk, \$2,000.

Management

Secretary is bonded for \$500 and treasurer for double the amount of money on hand. Directors receive 50¢ for all new policies secured by them.

MONROE COUNTY CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Rochester, N. Y.

Date of filing papers with secretary of state.....

October 3, 1895.

Counties in which business is transacted

Monroe, Genesee, Wayne, Onondaga, Cayuga, Ontario, Steuben, Erie, Livingston and Orleans.

Officers, addresses and salaries per year:

President	A. W. Mudge, Rochester, nothing.
Vice-President	I. B. Elbridge, Fairport, nothing.
Secretary and Treasurer.	E. E. Bohacheck, Rochester, \$1,200.

FINANCIAL EXHIBIT, AS OF AUGUST 31, 1909 .

LEDGER ASSETS

Cash in bank	\$20,201 33
Cash in office	270 86
Uncollected premiums (net)	5,471 45
Assessment levied July 13, 1909 (net)	4,472 43

Total ledger assets.....	\$30,416 07
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NON-LEDGER ASSETS

Accrued interest on cash in banks.....	192 33
Gross assets	\$30,608 40

DEDUCT ASSETS NOT ADMITTED

Uncollected premiums over three months due.....	417 20
Total admitted assets.....	\$30,191 20

LIABILITIES

Unpaid losses:	
Adjusted and not due.....	\$1,480 25
Unadjusted (no proof).....	278 00
Total unpaid losses.....	\$1,758 25
Unpaid bills	19 00
Total liabilities	\$1,777 25
Excess of assets over liabilities.....	\$28,413 95

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	34 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	6,842.
Amount	\$10,165,021.
Classes of property insured.	All classes.
Rates.....	One-year policies estimated to average 75 per cent. of board rate. Three-year policies estimated to vary from 66 to 75 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	On one-year policies, entire premium. Three-year policies, 30 per cent. and one-third of remaining 70 per cent.
Rate of assessment.....	In 1908 and 1909 less than normal assessment on three-year policies.
Method of transacting business	On one-year policies entire premium is paid in advance, 30 per cent. being called an entrance fee and 70 per cent. a guarantee fee. On three-year policies, as a general rule, 30 per cent. or the entrance fee is paid in advance, together with one-third of the remaining 70 per cent. These policies are assessed at the end of the first and second year for, normally, one-third, each time, of the guarantee fee of 70 per cent. The entrance fee is considered to pay expenses and the guarantee fee, losses. The one-year policies have never been assessed, nor have the few three-year policies on which entire premium was paid in advance. The policyholders are not required to sign the applications. Maximum risk, \$3,000.
Management	Secretary-treasurer has general charge of affairs and passes on applications. Secretary-treasurer, who signs checks, gives bond for \$2,500. Agents receive 20 per cent. commission.
Other items.....	Assets: Cash in bank draws 4 per cent. interest. Unearned premiums, not charged as a liability, \$22,619.87.

TOMPKINS COUNTY CO-OPERATIVE FIRE INSURANCE COMPANY

Home Office, Ithaca, N. Y.

Date of filing papers with
secretary of state.....
Counties in which business
is transacted

March 21, 1887.

Tompkins, Cayuga, Seneca, Cortland, Broome,
Onondaga, Madison, Oneida, Ontario, Monroe,
Wayne, Chemung, Steuben, Genesee, Living-
ston, Allegany, Cattaraugus, Erie, Tioga,
Schuyler, Yates, Chautauqua, Wyoming, Ni-
agara, Oswego, Orleans, Chenango.

Officers, addresses and sala-
ries per year:

President	Robert G. H. Speed, Ithaca, \$2,500.
Secretary	Walker V. Personius, Ithaca, \$1,500.
Treasurer	George M. Boynton, Ithaca, \$2,000.

FINANCIAL EXHIBIT, AS OF AUGUST 31, 1909

LEDGER ASSETS

Cash in bank	\$18,913 57
Cash in office	658 64
Book value of bonds	35,468 80
Uncollected premiums (net)	26,295 00
Assessment levied to pay losses for year ending June 30, 1909 (net)	48,930 75

Total ledger assets	\$130,266 76
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NON-LEDGER ASSETS

Accrued interest on cash in banks	\$174 93
Accrued interest on bonds	275 00
	<u>449 93</u>

Total assets	\$130,716 69
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DEDUCT NON-ADMITTED ASSETS

Uncollected premiums over three months due	\$4,500 00
Decrease in market value of bonds from book value	468 80
	<u>4,968 80</u>

Total admitted assets	\$125,747 89
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LIABILITIES

Unpaid losses:

Adjusted, not due	\$48,695 37
Unadjusted	119 50
Resisted	<u>1,375 00</u>

Total unpaid losses	\$50,189 87
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Salaries	250 00
Reinsurance	<u>1,965 00</u>

Total liabilities	\$52,404 87
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Excess of assets over liabilities	<u>\$73,343 02</u>
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MISCELLANEOUS INFORMATION

Expenses of management for, year ending December 31, 1908	30.4 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	30,341.
Amount	\$41,409,768.
Classes of property insured.	All classes.
Rates	Are estimated to average 80 per cent. of board rate.
Term of policies.....	One year (or less) and three years.
Amount of premium paid in advance	Entire premium on one-year policies. On three- year 30 per cent. and one-third of remaining 70 per cent.
Rate of assessment.....	In 1908, 20 per cent. below estimated cost; in 1909, 25 per cent. above.
Method of transacting busi- ness	On one-year policies entire premium is paid in advance, 30 per cent. being called an entrance fee and 70 per cent. a guarantee fee. On three-year policies, as a general rule, 30 per cent. or the entrance fee is paid in advance, together with one-third of the remaining 70 per cent. These policies are assessed at the end of the first and second year for, nor- mally, one-third, each time, of the 70 per cent. or guarantee fee. The entrance fee is con- sidered to pay the expenses, and the guaran- tee fee, losses. The one-year policies have never been assessed. The policyholders are not required to sign the applications. Re- insures some risks. Maximum risk, \$3,000.
Management	Secretary passes on applications. Treasurer is bonded for \$5,000. Agents' commission, 60 per cent. of entrance fee.
Other items.....	Unearned premiums, \$120,493.27. Assets: The bonds owned consist of \$35,000 of City of Ithaca bonds, at 4 per cent. and 5 per cent.

ADVANCE PREMIUM ASSOCIATIONS**CLASS C**

THE FOLLOWING SIX REPORTS OF ADVANCE PREMIUM ASSOCIATIONS, AND MISCELLANEOUS INFORMATION RELATIVE THERETO, INCLUDE THOSE ASSOCIATIONS IN WHICH AN ADVANCE PREMIUM IS CHARGED WHICH IS NOT ESTIMATED TO COVER THE COST OF THE INSURANCE, BUT IN WHICH THE POLICYHOLDERS ARE ASSESSED AT VARIOUS INTERVALS AS THE LOSSES MAY REQUIRE

**AUBURN MUTUAL FIRE INSURANCE COMPANY OF
CAYUGA COUNTY, N. Y.**

Home Office, Auburn, N. Y.

Date of filing papers with secretary of state.....	August 4, 1906.
County in which business is transacted	Cayuga county.
Officers, addresses and salaries:	
President	John L. Alnutt, Auburn, N. Y., nothing.
Vice-President	John H. Osborne, Auburn, N. Y., nothing.
Secretary	W. L. Glauville, Auburn, N. Y., 45¢ for each \$1,000 of insurance.
Treasurer	Clarence Sherwood, Auburn, N. Y., nothing.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 20, 1900**LEDGER ASSETS**

Cash in bank	\$782 11
Cash in office	18 28
Uncollected premiums (net)	90 46

Total ledger assets	\$890 85
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NON-LEDGER ASSETS

Accrued interest on cash in banks	14 00
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Total assets	\$904 85
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LIABILITIES

Rent	\$3 00
Stationery, postage, etc.	6 35

Total liabilities	9 35
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Excess of assets over liabilities	\$895 50
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MISCELLANEOUS INFORMATION

Insurance in force December

31, 1908:

Number of policies.....	301.
Amount	\$306,223.
Classes of property insured.	All classes of risks.
Rates.....	On business or mercantile risks estimated, 75 per cent. of board rate. Dwelling-houses (protected), \$3.60 a \$1,000 for three years.
Term of policies.....	One and three years.
Amount of premium paid in advance	All of the premium.
Rate of assessment.....	No extra assessment ever levied.
Method of transacting business	Maximum risk, \$3,000. Maximum mercantile risk, \$1,000. Applications not required to be signed. Reinsures some risks. Practically all risks in Auburn, N. Y. An assessment will be levied whenever necessary.
Management	Agents receive 25 per cent. commission on all risks except dwelling-houses, on which they receive \$1.40 per \$1,000. Secretary passes on applications. Total losses since organization, \$326.33.
Other items.....	Unearned premiums, \$660.56. Assets: \$600 of cash in bank draws 3½ per cent. interest.

CENTRAL CITY CO-OPERATIVE FIRE INSURANCE
COMPANY OF ONONDAGA COUNTY

Home Office, Syracuse, N. Y.

Date of filing papers with secretary of state.....	July 25, 1900.
Countries in which business is transacted.....	Onondaga, Cayuga, Madison.
Officers, addresses and salaries:	
President	M. C. Darrow, Solvay, none.
Vice-President	F. E. Gilbert, Weedsport, none.
Secretary	I. J. Chapman, Canastota, 45¢ for each \$1,000 of insurance written.
Treasurer	Nelson Ritter, Syracuse, 1 per cent. of all moneys disbursed.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 30, 1909

ASSETS

Cash in bank	\$78 14	
Cash in office	158 86	
Uncollected premiums (net)	215 81	
Uncollected assessment levied July 13, 1909.....	188 65	
Gross assets		\$641 46
DEDUCT ASSETS NOT ADMITTED		
Uncollected premiums (net) over three months due.	\$112 77	
Uncollected assessment over two months due.....	188 65	
		301 42
Total admitted assets.....		\$340 04

1206 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

LIABILITIES

Unpaid commissions due secretary.....	\$76 35
Total liabilities	\$76 35
Excess of assets over liabilities.....	\$263 65

MISCELLANEOUS INFORMATION

Insurance in force December 31, 1908:	
Number of policies.....	913.
Amount	\$1,272,493.03.
Classes of property insured.	Dwelling-houses in water-protected cities and villages.
Rates.....	\$3.05 to \$3.25 per \$1,000 for three years.
Term of policies.....	Three years.
Amount of premium paid in advance	All of above rates.
Rate of assessment.....	Assessment levied in 1909 for \$1,225, divided according to rates; 12¢ in addition to guarantee fee.
Method of transacting business	Advance premium is not considered by association sufficient to pay cost of insurance, but as losses since organization have been only \$2,938.84 only the one assessment has been levied. Original application must be signed but not renewal. Maximum risk, \$2,000. Reinsures a few risks. An entrance fee of \$2.25 is charged on all policies, and in addition a guarantee fee of 80¢, 90¢, or \$1 per \$1,000.
Management	Executive committee passes on applications. Secretary and treasurer bonded for \$1,000 each. Agents receive as commission \$1.40 per \$1,000 on new business and \$1.15 on renewals.

DWELLING HOUSE CO-OPERATIVE FIRE INSURANCE COMPANY OF CAYUGA COUNTY

Home Office, Auburn, N. Y.

Date of filing papers with secretary of state.....	May 14, 1902.
Counties in which business is transacted.....	Cayuga, Onondaga, Madison, Tompkins. Cortland.
Officers, addresses and salaries:	
President	John L. Alnutt, Auburn, N. Y., nothing.
Vice-President	John H. Osborne, Auburn, N. Y., nothing.
Secretary	William L. Glauville, Auburn, N. Y., 45¢ for each \$1,000 of insurance written.
Treasurer	Clarence Sherwood, Auburn, N. Y., nothing.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 20, 1909

ASSETS

Cash in bank	\$160 46
Cash in office	92 11
Uncollected premiums (net)	62 09
Total assets	<u>\$314 66</u>

LIABILITIES

Rent	<u>\$3 00</u>
Total liabilities	<u>\$3 00</u>
Excess of assets over liabilities	<u><u>\$311 66</u></u>

MISCELLANEOUS INFORMATION

Insurance in force December
31, 1908:

Number of policies.....	320.
Amount	\$386,252.
Classes of property insured.	Dwelling-houses in water-protected cities and villages.
Rates.....	60¢, 70¢, and 80¢ per \$1,000 of insurance. In addition, membership fee of \$2.50 on each \$1,000 for three years.
Term of policies	Not more than three years.
Amount of premium paid in advance	All of above rates.
Rate of assessment.....	Only assessment levied in 1904, for \$7.70 on each \$1,000 of insurance in force.
Method of transacting business	The membership for entrance fee is used for expenses and the classified premiums, called guarantee fees, pay losses. The association does not consider that the advance premium is sufficient to pay all losses, but as the losses since organization have been only \$2,324.85 only one assessment has been levied. On renewals the policyholder is credited with any saving on his premium. In 1909 the credit was 12¢, 14¢, and 16¢ on the 60¢, 70¢, and 80¢ rates. Maximum risk, \$2,000. Reinsure with Auburn Mutual Fire Insurance Company.
Management	Birch Ellis, as general agent, receives 15¢ on each \$1,000 written. Agents receive as commission, \$1.40 on each \$1,000 of new business and \$1.15 on renewals.

THE DWELLING INSURANCE ASSOCIATION OF CENTRAL NEW YORK

Home Office, Utica, N. Y.

Date of filing papers with secretary of state.....	December 29, 1895.
Counties in which business is transacted.....	Oneida, Madison, Lewis, Herkimer, Otsego.
Officers, addresses and salaries per year:	
President	W. H. Fowler, Oriskany Falls, \$10.
Vice-President	J. R. Pelton, Ilion, nothing.
Secretary	Giles A. Geer, Utica, fees.
Treasurer	H. A. Hull, Sauquoit, \$10.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 17, 1900

LEDGER ASSETS

Cash in bank	\$4,225 57	
Cash in office	97 38	
Total ledger assets		\$4,322 95

NON-LEDGER ASSETS

Accrued interest on cash in banks.....	30 06	
Total assets		\$4,353 01

LIABILITIES

Commissions	\$50 00	
Total liabilities		50 00
Excess of assets over liabilities.....		<u>\$4,303 01</u>

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 4, 1908	23.8 per cent. of premium income.
Insurance in force September 17, 1909:	
Number of policies.....	320.
Amount	\$540,000.
Classes of property insured.	Mercantile risks and dwelling-houses.
Rates.....	Initial rate on mercantile risks average 80 per cent. of board rate. Dwellings written for 5 years average 80 per cent. of board rate for three years. Rate lowered on renewals.
Term of policies.....	One year (or less) and five years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	No extra assessment ever levied.

Method of transacting business	Premium must be paid before the issuance of policy. If policy in force five years policyholder, upon cancellation, receives profits. Upon cancellation at any time policyholder required to pay pro rata share of losses and expenses. Maximum risk, \$3,000. Reinsures a few risks.
Management	The secretary has general charge of the affairs of the association; he receives in lieu of a salary 37½¢ on each \$1,000 of insurance written and \$1 per \$1,000 on new business.

LIVINGSTON COUNTY MUTUAL FIRE INSURANCE COMPANY

Home Office, Livonia, N. Y.

Date of organization.....	April 17, 1877.
Date of filing papers with secretary of state.....	February 21, 1881.
County in which business is transacted	Livingston.
Officers, addresses and salaries:	
President	F. M. Davis, Livonia, fees.
Vice-President	E. A. Cole, Conesus, nothing.
Secretary	L. H. Beecher, Livonia Center, fees.
Treasurer	Ellis N. Stone, Livonia Center, nothing.

FINANCIAL EXHIBIT, AS OF OCTOBER 18, 1909

ASSETS	
Cash in bank	\$1,850 74
Cash in office	270 00
Uncollected premiums (net)	3,641 19
Total assets	\$5,761 93
LIABILITIES	
Unpaid losses:	
Adjusted, not due.....	\$107 50
Salaries	672 78
Total liabilities	780 28
Excess of assets over liabilities.....	\$4,981 65

MISCELLANEOUS INFORMATION

Expenses of management for year ending December 31, 1908	16.7 per cent. of premium income.
Insurance in force December 31, 1908:	
Number of policies.....	2,572.
Amount	\$4,489,667.
Classes of property insured.	Farm property, and detached dwellings in villages.
Rates.....	60¢ per \$100 and 1 policy fee for three years.

1210 CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS

Term of policies.....	One year (or less), two and three years.
Amount of premium paid in advance	Entire premium.
Rate of assessment.....	Only assessment levied since 1893 was made in January, 1909, for 15¢ on each \$100 of insurance in force.
Method of transacting business	Applications generally signed by policyholder. Maximum risk written, \$3,000.
Management	Secretary has general charge of affairs and passes on applications. The president and secretary receive as salary 5¢ for each \$100 of insurance written, and of this the president receives 24 per cent. and the secretary 76 per cent.

THE MERCHANTS' CO-OPERATIVE FIRE INSURANCE ASSOCIATION OF CENTRAL NEW YORK

Home Office, Utica, N. Y.

Date of filing papers with secretary of state.....	September 17, 1894.
Counties in which business is transacted.....	Oneida, Madison, Lewis, Herkimer, Otsego, Jefferson.
Officers, addresses and salaries:	
President	C. H. Phister, Vernon, nothing.
Vice-President	J. Edgar Jones, Turin, nothing.
Secretary	Giles A. Geer, Utica, fees.
Treasurer	F. E. Gaus, Utica, \$50 per year.

FINANCIAL EXHIBIT, AS OF SEPTEMBER 17, 1909

LEDGER ASSETS	
Cash in bank	\$3,442 11
Cash in office	522 59
Total ledger assets.....	\$3,964 70
NON-LEDGER ASSETS	
Accrued interest on cash in bank.....	14 50
Total assets	\$3,979 20
LIABILITIES	
Unpaid losses:	
Unadjusted, maximum	\$500 00
Commissions	50 00
Total liabilities	550 00
Excess of assets over liabilities.....	\$3,429 20

MISCELLANEOUS INFORMATION

Expenses of management for year ending November 6, 1908	21.6 per cent. of premium income.
Insurance in force:	
Number of policies.....	265.
Amount	\$968,546.
Classes of property insured.	Practically all mercantile risks.
Rates.....	Initial rate estimated to average 80 per cent. of board rate. Rate lowered on renewals.
Term of policies.....	On mercantile risks, one year.
Amount of premium paid in advance	Entire premium before policy is issued.
Rate of assessment.....	Three extra assessments levied based on percentage of initial rate: November 20, 1895, 80 per cent.; March 9, 1897, 50 per cent.; January 29, 1898, 70 per cent. These assessments were credited on renewals.
Method of transacting business	An advance premium is charged, and the initial or first-premium rate is estimated to average 80 per cent. of board rate. The rate on renewals is changed in accordance with the experience and has varied from 50 to 100 per cent. of initial premium. On cancellation, policyholder receives an equitable portion of all unearned money to which he has contributed. After policy is in force five years and policy is canceled, policyholder shares in profits, if any. Maximum risk, \$3,000.
Management	Secretary acts as general manager and is the only agent of the association; he passes on applications and inspects risks; he receives \$2.50 on each \$1,000 of new business written and 15 per cent. of initial premium on renewed policies. Three members of executive committee receive \$25 each per year.

TABLE

Showing assets, liabilities, surplus, number of policies and amount of insurance in force of the Advance Premium County Co-operative Fire Insurance Associations of this State on the dates stated in the abstracts of these associations appearing in the body of this report.

NAME OF COMPANY OR ASSOCIATION	Location of home office	Assets	Liabilities	Surplus	Number of policies in force	Amount of insurance in force
CLASS A.*						
Amsterdam Fire Ins. Co.	Amsterdam	\$3,251 85	\$3,229 00	\$22 85	2,200	\$1,672,784
Butternut Valley Mutual Fire Ins. Co.	Morris	4,337 32	1,601 50	2,735 82	1,273	1,039,069
Catskill Mountain Fire Ins. Co.	Greenville	11,213 52	2,728 73	8,484 79	1,029	949,235
Chemical Mutual Fire Ins. Co.	Burlington Flats	3,219 76	422 91	2,796 85	2,842	1,292,682
Church Insurance Association	Rochester	14,131 50	4,580 81	9,550 69	2,000	3,032,001
Citizens Fire Ins. Assn. of Oneida Co.	Utica	251 54	1,105 98	-854 14	391	376,501
Citizens Fire Ins. Co. of Saratoga Co.	Mechanicville	3,513 49	2,901 03	612 46	1,976	1,638,608
Commercial Mutual Fire Ins. Co.	Catskill	12,372 44	2,465 00	9,907 44	3,867	3,827,707
Co-operative Fire Ins. Co.	Utica	44,397 17	6,316 00	38,081 17	5,003	5,323,589
Empire State Fire Ins. Co.	Utica	91 65	290 56	-198 91	355	310,939
Green County Mutual Fire Ins. Co.	Greenville	29,064 38	3,199 99	25,864 39	3,632	3,878,100
Hamilton Mutual Fire Ins. Co.	Hamilton	8,831 55	1,537 63	7,293 92	2,268	1,836,776
Herkimer Fire Ins. Co.	Little Falls	1,055 98	5,070 90	-4,014 92	867	340,968
Home Mutual Fire Ins. Co.	Binghamton	30,085 28	1,136 73	28,948 55	3,023	2,752,414
Hudson Valley Fire Ins. Co.	Catskill	4,341 50	1,145 00	3,196 50	1,118	933,513
Mercantile Co-operative Fire Ins. Co.	Catskill	4,149 48	1,028 55	3,120 93	932	852,535
Merchants' and Farmers' Fire Ins. Co.	Middleburgh	8,297 14	269 88	8,027 26	3,206	3,134,681
Mohawk Valley Fire Ins. Co.	Little Falls	2,839 88	75 00	2,764 88	535	281,778
Mutual Creamery and Cheese Factory Ins. Co.	Canton	2,631 87	1,725 00	906 87	1,100	904,756
Mut. Fire Ins. Assn. of Montn. & Herk. Cos.	Amsterdam	10,263 37	817 01	9,446 36	2,704	2,264,885
Mut. F. Ins. Assn. of Schoharie, O. & Albany Cos.	Middleburgh	35,077 47	2,355 00	32,722 47	4,120	4,328,436
New York Central Mutual Fire Ins. Co.	Edmonton	28,085 70	1,044 00	26,041 70	4,724	4,321,046
Oneida Co-operative Fire Ins. Co.	Horé	3,738 81	1,064 00	2,674 81	1,712	1,383,780
Ontario Mutual Fire Ins. Co.	Burlington Flats	24,829 22	5,174 36	19,654 86	5,211	5,654,077
Preferred Mutual Fire Ins. Co.	New Berlin	90,931 47	889 32	90,042 15	7,657	7,408,088

Saratoga and Washington Fire Ins. Co.	3,187 67	3,161 48	26 19	3,889	2,174,641
Schoharie and Otsego Mutual Fire Ins. Co.	22,713 60	1,827 83	20,885 77	3,711	3,384,459
Security Mutual Fire Ins. Co.	27,054 18	1,947 50	25,106 68	3,928	3,844,490
Union Mutual Fire Ins. Co.	472 59	75 00	397 59	330	211,857
Utica Fire Ins. Co.	6,932 99	312 55	6,620 44	1,557	1,132,116
Village Fire Ins. Association.	34,840 64	1,104 16	33,736 48	3,884	4,166,339
Wyoming Valley Fire Ins. Co.	18,885 32	8,870 65	10,014 67	3,164	6,031,290
Totals	\$485,140 42	\$70,472 76	\$414,667 66	84,108	\$80,694,149
CLASS B.†					
Baron Steuben Co-operative Fire Ins. Co.	\$23,081 80	\$7,698 05	\$15,383 75	7,702	\$9,310,910
Co-operative Fire Ins. Co.	5,723 44	4,607 10	1,116 34	1,063	1,506,000
Lancaster Mutual Fire Ins. Co.	16,226 49	216 75	16,009 74	304	256,935
Monroe County Co-operative Fire Ins. Co.	30,191 20	1,777 25	28,413 95	6,842	10,165,021
Tompkins County Co-operative Fire Ins. Co.	125,747 89	52,404 87	73,343 02	30,341	41,409,768
Totals	\$200,970 82	\$66,704 02	\$134,266 80	46,252	\$62,648,634
CLASS C.‡					
Auburn Mutual Fire Ins. Co.	\$804 85	\$9 35	\$895 50	301	\$306,223
Central City Co-operative Fire Ins. Co.	340 04	76 38	263 66	913	1,272,493
Dwelling House Co-operative Fire Ins. Co.	314 66	3 00	311 66	320	386,252
Dwelling Insurance Association.	4,353 01	50 00	4,303 01	320	540,000
Livingston County Mutual Fire Ins. Co.	5,761 63	780 28	4,981 65	2,572	4,489,667
Merchants' Co-operative Fire Ins. Association.	3,979 20	550 00	3,429 20	265	968,546
Totals	\$15,653 69	\$1,469 01	\$14,184 68	4,691	\$7,963,181
RECAPITULATION.					
Class A.	\$485,140 42	\$70,472 76	\$414,667 66	84,108	\$80,694,149
Class B.	200,970 82	66,704 02	134,266 80	46,252	62,648,634
Class C.	15,653 69	1,469 01	14,184 68	4,691	7,963,181
Aggregate	\$701,764 93	\$138,645 79	\$563,119 14	135,051	\$151,305,964

* Class A.—Associations in which advance premium is estimated to pay cost of insurance; no assessment on policyholders contemplated.

† Class B.—Associations in which a percentage of estimated cost of insurance is paid in advance and assessment or additional payment made each year.

‡ Class C.—Associations in which advance premium is not estimated to pay cost of insurance in full, but in which policyholders are assessed at various intervals as losses may require.

TABLE

Showing total income, disbursements, number of policies and amount of insurance in force of the Town, Grange and County Assessment Associations of this State for the year ending December 31, 1908.

	Income	Disbursements	Number of policies	Amount of insurance
Town associations.....	\$86,072 34	\$37,435 20	26,991	\$47,015, 135
Grange associations.....	224,138 24	237,373 82	44,893	97,794,061
County assessment associations.....	410,654 95	399,471 58	80,680	139,452,204
Totals.....	\$730,865 53	\$724,280 60	152,564	\$284,261,400
Aggregate number of policies and amount of insurance in force of all associations included in this report.....			287,615	\$435,567,364

ASSOCIATIONS IN PROCESS OF LIQUIDATION

THE FOLLOWING IS A SHORT HISTORY AND A SUMMARY OF THE CONDITION OF THE AFFAIRS OF EIGHT CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS NOW BEING LIQUIDATED BY THE INSURANCE DEPARTMENT

The Syracuse Associations. Seven of these associations had joint offices in the city of Syracuse and were managed by the same group of men. On July 1, 1909, the Superintendent of Insurance made application to the Supreme Court, under section 63 of the Insurance Law, and obtained orders directing him to conduct the business of the companies, and on July 16, upon further application, and with the consent of the officers of the companies, he obtained orders directing him to liquidate the business of the associations. This liquidation is being conducted under the direction of the Superintendent, by an attorney, who was appointed a special deputy superintendent of insurance for the purpose on July 19, 1909. These seven associations and information relative thereto, are as follows:

*Aetna Mutual Fire Insurance Company of Onondaga County,
N. Y.*

Date of organization: March 3, 1905.

County embraced by original statement: Onondaga county.

Counties to which extension was made: Cortland and Tompkins.

American Mutual Fire Insurance Company of Onondaga County.

Date of organization: September 25, 1901.

Counties embraced by original statement: Onondaga, Cayuga, Wayne, Monroe, Genesee.

Counties to which extension was made March 25, 1905: Erie, Niagara, Wyoming.

Capital Mutual Fire Insurance Company of Onondaga County.

Date of organization: March 1, 1905.

County embraced by original statement: Onondaga.

Counties to which extension was made: Cayuga, Seneca, Ontario, Livingston.

Mohawk Mutual Fire Insurance Company of Onondaga County.

Date of organization: February 19, 1903.

County embraced by original statement: Onondaga.

Counties to which extension was made: Madison, Oneida, Herkimer, Montgomery, Schenectady.

*Phoenix Mutual Fire Insurance Company of Onondaga County,
N. Y.*

Date of organization: March 8, 1905.

County embraced by original statement: Onondaga.

Counties to which extension was made May 5, 1905: Albany, Madison, Otsego, Schoharie.

Reliable Mutual Fire Insurance Company of Onondaga County.

Date of organization: November 6, 1903.

County embraced by original statement: Onondaga.

Counties to which extension was made: Cortland, Tioga, Broome, Chenango, Delaware.

Union Mutual Fire Insurance Company of Onondaga County.

Date of organization: March 3, 1903.

County embraced by original statement: Onondaga.

Counties to which extension was made May 6, 1905: Oswego, Lewis, St. Lawrence, Jefferson, Clinton.

The officers, executive committee and manager of all seven companies were the same, as were a majority of the board of directors, the latter having a few members selected from the counties to which the various companies had been extended. The control, however, was always maintained by the same group of men, with but few changes, who participated in the organization of the companies. In the case of each successive company organized subsequent to the American Mutual, the method employed was to make up the amount of insurance required by law in order to entitle the corporation being organized to begin business by taking a portion of the risks of the older company or companies and reinsuring them in the new corporation. As matter of fact, the three last companies organized, which were hurried into ex-

istence and two of which were extended to five counties just three days before the statute was changed, raising the requirements for the organization of such corporations, were used for little else than the reinsurance of the older companies' risks; the total number of direct policies issued by the Phoenix Mutual being 943, by the Capital Mutual, 667, and by the Aetna Mutual, 605.

Though organized under Article IX of the Insurance Law, and essentially "assessment companies," these seven corporations have always charged and collected premiums in advance. Not having any capital, the first premium receipts seem to have been expended to pay organization expenses, and subsequent premium receipts to meet the expense of extending the companies' business into the forty counties which they ultimately covered. This left little or nothing to carry the companies' risks to the expiration of the policies, so that, as early as 1903 it became necessary to borrow money to pay fire losses. The minutes of the board of directors September 12, 1906, state that the fire losses for that year "had been nearly equal to the net premium received."

Things kept getting worse, but no effort was made to get additional money to pay the companies' debts, until in December, 1908, when the aggregate debt of all seven companies amounted to about \$65,000. On December 26, 1908, the companies made the following general assessments upon their policy-holders:

	Per Cent of the premium
Aetna.	100
American.	100
Capital.	75
Mohawk.	75
Phoenix.	60
Reliable.	75
Union.	50

The result of this assessment was the collection of about \$46,000 and the collapse of the companies' business.

On the 16th day of July, 1909, the total indebtedness of each company, the aggregate premium on policies of insurance outstanding and presumptively effective, the number of policyholders

apparently assessable and the rate of assessment made by order of the Supreme Court, October 25, 1909, are as follows:

	Debts.	Premiums.	Policy-holders.	Rate per cent of assessment.
Aetna	\$958 79	\$343 39	132	430
American	14,703 14	10,962 39	1,656	285
Capital	1,462 37	711 31	82	None yet made.
Monawick	4,535 23	3,986 12	43	239
Phoenix	2,295 77	1,782 71	199	239
Reliance	2,665 97	4,268 52	533	185
Union	8,665 54	13,279 79	1,272	164

The assessments are both authorized and required by the contracts of insurance between the policyholders and the companies, whereby the former become members of the latter and liable for the payment of the companies' debts, pursuant to the provisions of article IX of the Insurance Law. They were calculated with a view to paying the debts of the companies in full as well as the expenses of liquidation, and were levied October 25, 1909. The date set for payment of these assessments expires December 31, 1909. Sixteen thousand nine hundred and thirty-two dollars and forty-one cents had been collected December 20, 1909.

*Genesee Valley Fire Insurance Company of Genesee County,
N. Y.*

Date of organization: May 5, 1904.

Territory embraced by original statement: Genesee county.

Territory to which extension was made February 17, 1905: Wyoming, Livingston, Erie, Monroe.

This company was closely allied with the seven Syracuse Associations above discussed, being organized and conducted on the same plan of collecting in advance premiums which were supposed to support the policies for which they were paid for their respective terms, but which, in fact, were used in large part to pay losses already incurred on previous risks. The assessments made by the American Mutual and Capital Mutual of Onondaga county, December 26, 1908, whose policyholders were in general the same as those of the Genesee Valley, had such a dampening effect upon the business of the Genesee Valley, that the officers determined to remove the principal office of the company from Batavia to Rochester with the expectation of retrieving the company by

means of insuring the household furniture of working people. These are considered "good risks," in certain insurance circles, on account of the frequency with which such people remove the property insured from its location at the time the policy is issued, thereby forfeiting their rights under the policy, the fact being that they do not normally obtain the company's consent to such removal. At Rochester canvassers were employed and an insurance business with working people was begun, the premiums being collected, fifty and even twenty-five cents at a time, on policies whose whole premium was usually three dollars. The fact is that it costs so much to obtain and conduct business on this plan, that the expected relief was not found.

At the time of the company's removal to Rochester, February, 1909, its debts already amounted to \$2,500, without regard to the unearned premiums on its outstanding policies of insurance. On August 15, 1909, the company suffered an additional loss of \$4,454.87 by the burning of the village of Pike on that date. On August 26th, the executive committee of the company made an assessment to cover the fire losses of the company, and on the 1st of September, the board of directors voted to turn the business of the company over to the Department for liquidation. The Superintendent applied to the Supreme Court for an order under article 63 of the Insurance Law, September 3, 1909, and on September 7, 1909, applied for and obtained an order directing him to liquidate the business of the company and on the same day appointed a special deputy to act for him in the matter.

On the 26th day of August, 1909, the total indebtedness of the company, the aggregate premiums on policies of insurance outstanding and presumptively effective, the number of policyholders apparently assessable and the rate of the assessment made by order of the Supreme Court September 24, 1909, were as follows:

Debts.	Premiums.	Policyholders.	Rate per cent. of assessment.
\$10,603.68	\$11,989.03	1356	140

Of this debt \$3,484.12 is unearned premiums, due for the unexpired terms of the company's policies, which is allowed as a credit upon each individual assessment. The actual amount which is necessary to raise in order to pay the company's fire losses and general indebtedness is \$7,119.56.

LAWS OF OTHER STATES**RELATING TO TOWN AND COUNTY CO-OPERATIVE FIRE INSURANCE ASSOCIATIONS**

Under date of November 20, 1909, the superintendent of insurance sent to the insurance departments of the various states the following letter:

DEAR SIR.—This department is now making a general investigation into the condition and affairs of all town and county co-operative fire insurance associations transacting business in this state. These associations are organized and transact business under the provisions of Article IX and X of our insurance law. The territory in which business can be transacted is limited by towns or counties, such limit being based upon the amount of insurance in force. All the policies issued by these associations are subject to assessment. About one hundred associations levy an assessment at the end of each year, to pay the losses and expenses of the previous year, and fifty charge an advance premium estimated to cover the cost of the insurance.

I desire to ascertain if associations transacting the business of fire insurance on a co-operative or mutual plan similar to that above outlined can be organized in your state, and, if so, what provisions of your laws relate to the organization and transaction of business by this class of fire companies or associations.

In replying to this communication, you will materially aid us by designating the sections of your law relating to the above.

Very truly yours,

WILLIAM H. HOTCHKISS,
Superintendent.

From the replies received, the method by which town and county co-operative fire insurance associations, or, in some cases, mutual companies, are organized and regulated by the laws of the various states, can be summarized as follows:

ALABAMA

Deputy Insurance Commissioner says:

"I have yours of the 20th, and in reply beg to advise that, under the laws of Alabama, insurance companies for the purpose of transacting a business of fire insurance on a co-operative or mutual plan, are not permitted in this state. There are still in existence some mutual fire insurance companies that were doing business prior to the enactment of the present laws. Those are termed Farm Mutuals and are such that the Department has no supervision over whatsoever."

ARKANSAS

It is lawful for any number of citizens, not less than three, to incorporate for the purpose of securing, by co-operation, mutual protection from fire, lightning, tornadoes, windstorms or cyclones. They shall file in the office of the Secretary of State articles of association and by-laws. Before business can be transacted, company must have a bona fide membership and not less than one hundred thousand dollars in risks, the premium on which is not less than three thousand dollars. Profits of such company shall be divided pro rata among members, according to the amount of premium paid on insurance carried by each, and such division shall be made by the directors at such time and in such amounts as the affairs of the company shall justify. Company is required to file with the Auditor of State a qualified indemnity bond for \$15,000 to be conditioned for prompt payment of all claims. Company must reserve not less than fifty per centum of its premiums for the payment of losses and the benefit of its policyholders. Must file final annual statement with Auditor of State and be subject to his examination.

CALIFORNIA

Any number of persons, not less than twenty-five, residing in any county in this state, owning insurable property, aggregating not less than fifty thousand dollars in value, which they desire to have insured, may incorporate for the purpose of mutual insurance against loss or damage by fire. Declaration of intention to organize and by-laws must be filed with Insurance Commissioner. Can insure property in county for which company is formed. Directors must be residents of county where company is formed. Can insure detached dwellings, school houses, churches and farm property for a term not exceeding five years. Cannot write to exceed four thousand five hundred dollars on any one risk, provided that no company organized more than six months shall write more than three per cent. of the total amount at risk, subject to one fire. Policyholders must sign obligation to pay pro rata share of losses and expenses. All property insured must be classified and different rates charged thereon. Can insure in adjoining county, provided no mutual company exists in that county, and, when a mutual company is organized in the adjoining county, the former must retire therefrom as soon as policies expire or are cancelled. Cannot insure property in any city containing over 6,000 inhabitants. Must file annual report with Insurance Commissioner and continue business only on certificate issued by him. Companies are subject to examination, and can be dissolved in the manner and upon the same conditions as are other domestic insurance companies.

CONNECTICUT

The Insurance Commissioner says:

"In reply to your letter of the 20th, regarding town and county co-operative fire insurance associations transacting business in this state, we would state that we have no statutes regarding the organization of such companies. Mutual companies are permitted to transact business through a special charter. The territory in which business can be transacted by these companies is not limited to towns or counties.

The requirements of mutual companies of other states are found in § 2508.

Sections 2444-6, inclusive, however, relate to the requirements of this state as regards their statements and taxes."

DISTRICT OF COLUMBIA

Replying to the department's letter, the superintendent of insurance says:

"Co-operative fire insurance companies, such as you refer to in your letter, have never been permitted to organize under the Insurance Laws of the District of Columbia, because of which none of that kind — local, domestic, or foreign are operating in this territory."

FLORIDA

No town or county co-operative fire insurance associations operating in this state. In order to organize, it would be necessary to comply with the general provisions of the law (sec. 2759) requiring that fire insurance companies organized in Florida be possessed of at least \$250,000 investments.

GEORGIA

The comptroller-general says:

"I have the honor to acknowledge receipt of yours of the 20th inst., concerning an investigation which you say you are making of the condition and affairs of co-operative fire insurance associations organized and operated under the laws of the State of New York.

In reply to your inquiry concerning the statute of this state under which similar corporations are authorized to do business, I beg to refer you to §§ 2007 to 2030, Volume 2 of the Code of Georgia of 1895. You will also find the statute in the compilation of insurance laws made by this department, beginning with page 45 of said pamphlet.

You will observe that, under the statute referred to, companies engaged in this class of business chartered by other states are not allowed to do business in the State of Georgia. It will also be

observed that our statute which purports to regulate the incorporation of such institutions, as well as the law authorizing them to do business in this state, is very lax and clothes this department with limited authority over such companies. I have endeavored, from year to year, since the enactment of this statute, to obtain legislation which would put this class of companies under the jurisdiction of this department and subject them to requirements which would fully protect the public, but, up to the present time, have been unable to accomplish anything on this line."

IDAHO

Persons owning property of not less than one hundred thousand dollars in value may associate themselves together for the purpose of mutual co-operative insurance against loss by fire, lightning, tornadoes, cyclones, etc. Such companies shall embody the words "Mutual Co-operative" in their names. Can do business anywhere in the state. Policyholders must sign application containing an agreement binding themselves, their heirs, etc., to pay legal assessments. A reasonable amount of cash must be paid at the time insurance is taken. Can issue policies on all kinds of insurable real and personal property. Maximum risk limited by amount of insurance in force. Property insured must be classified and rate of assessment based thereon. No assessment shall be made on a member for liabilities incurred prior to his membership. Must file annual statement with insurance department, and are subject to examination. Cannot do business outside of state until association shall have at least one million of insurance in force. The Insurance Commissioner states that the present law is very unsatisfactory.

ILLINOIS

Not less than twenty-five persons, who collectively own property of not less than fifty thousand dollars in value, may form an incorporated company for the purpose of mutual insurance against loss or damage by fire or lightning. If a county company, cannot insure beyond limits of county comprised in formation, nor property within the limits of any city containing over twelve thousand inhabitants; and, if a town company, cannot insure beyond the limits of twelve adjoining congressional townships, nor within the limits of any city containing over twelve thousand inhabitants. Charter must be filed with and approved by Superintendent of Insurance. Can insure only detached dwellings, school houses, churches and farm property and contents. Maximum risk limited to \$4,500. Policyholder must sign undertaking to pay pro rata share of losses and expenses. Company must file annual statement with insurance superintendent, is subject to examination, and can

be proceeded against and dissolved in like manner and upon the same conditions as are provided in case of other insurance companies. Referring to these companies, in answer to department's letter, the insurance superintendent says:

"These companies are operated at very little expense. Assessments are made upon the members when necessary to pay losses. In this state we have sixty county companies and one hundred and forty-five township companies."

INDIANA

The auditor of state says:

"I acknowledge receipt of your favor of the 20th inst., and will say that we have about seventy-five companies doing business in this state under what is known as the farmers mutual fire insurance law, which you will find in the copy of the insurance laws of this state on page 26, commencing at section 72. Companies organized under this law, you will notice, are permitted to do business in only three counties adjoining. They are not under the supervision of this department, nor do they report to the auditor of state; the attorney-general of this state having given this office an opinion that companies organized under this law are not required to report to this department nor come under state supervision. We have eight or ten mutual fire insurance companies that do report to this department and are permitted to do fire insurance generally and are organized under the law shown at pages 15 and 16 of the insurance laws of this state. This class of companies can insure any class of property and anywhere within the state."

Not less than ten persons may form a farm mutual company to insure dwelling houses, barns and farm property.

IOWA

County mutual assessment associations: Can be organized to do business within the county in which is situated the town or city named in articles of incorporation as its principal place of business. Cannot issue fire insurance policies until applications for insurance to the amount of fifty thousand dollars, representing at least fifty applicants, have been received. Articles of incorporation must be approved by auditor of state. Must file annual statement with auditor of state. Can collect such assessments, provided for in articles of incorporation and by-laws, as are required to pay losses and necessary expenses. Whenever board of directors or auditor of state shall ascertain that any association is insolvent, such board, or, upon its failure so to do, the auditor of state, may direct an

assessment ratably upon all members liable therefor, in such amount as may be necessary as follows:

1. It shall be determined what amount each policyholder should pay or receive in case he desires to withdraw from the association.

2. What further sum each policyholder should pay to reinsure his policy with some other solvent association. Policyholder can elect whether to pay amount called for in case of withdrawal or the amount called for for reinsurance.

State mutual assessment associations: Can be organized to transact fire insurance business anywhere in state. Cannot issue policies until applications for \$250,000 of insurance have been received. Must file annual report with auditor of state. Cannot collect assessments for more than one year in advance, where such assessments exceed three mills on each dollar of insurance in force. Except such associations as confine their business exclusively to farm and dwelling property, churches and school houses, all associations shall annually set aside and maintain as a reinsurance reserve an amount equal to ten per cent. of the receipts from assessments, until the total amount thus accumulated shall equal forty per cent., but not to exceed fifty per cent. of the amount of one annual assessment on all policies in force. Maximum liability of members must be stated in by-laws and policies, and shall not be less than a sum equal to the basis rate charged for insurance, nor greater than a sum equal to three times such basis rate. Assessment must be made to pay losses and to maintain the reinsurance reserve. Secretary and treasurer must give bond, for at least \$10,000, to association, as security for faithful performance of duties, which bond shall be approved by and deposited with the auditor of state.

KANSAS

Twenty-five persons, collectively owning property of not less than fifty thousand dollars in value, may become an incorporated company for the purpose of mutual insurance of its members against loss by fire, lightning or tornado. Can insure, in first class, dwellings, farm property, school houses, churches, and, in second class, mercantile risks. Both classes of business must be conducted separately, and assessments cannot be levied on one class to pay losses of other class. Must file in office of Superintendent of Insurance copy of charter and by-laws. All notes taken shall be assessable and collectible. Directors shall have the right to determine the amount of the premium note to be given and the amount to be paid in cash and endorsed thereon, but face of note shall not be more than five times amount of cash payment, and cash payment shall not be less than one annual rate. Maximum risk shall not exceed ten per cent. of the face value of all its premium notes in

force at the date of the policy, and cannot exceed \$3,000. A reserve fund, equal to ten per cent. of all premium notes in force, shall be maintained and this fund shall not be reduced below one-half until an assessment shall be made upon the premium notes sufficient to reimburse the reserve fund. Must file annual statement with superintendent of insurance. The provisions of this mutual law shall not apply to any association hereafter organized under the supervision or by authority of any legally incorporated group of the Order of Patrons of Husbandry.

LOUISIANA

The assistant secretary of state, in charge of the insurance department, says:

"Replying to yours of the 20th inst., I beg to say that the law of this state on the subject of mutual fire insurance companies is very meagre, indeed. All that is necessary for the organization of such companies is that \$25,000 of premiums must be subscribed, of which \$15,000 is paid in cash and the balance secured by good collateral. There is no limit fixed for the territory over which such companies can operate. There are only a few mutual companies in this state, which confine themselves to writing preferred risks or manufacturing establishments."

Section 16 of Article 1 of Act 105 of 1898 provides, in part, as follows:

"Every mutual company organized upon the mutual plan shall exhibit to the secretary of state satisfactory evidence that it has entered into a *bona fide* agreement with a number of persons for insurance, the premiums on which insurance shall amount to not less than twenty-five thousand (\$25,000) dollars, of which not less than ten thousand (\$10,000) dollars shall have been paid in cash, and notes of solvent parties secured by ample collaterals shall have been received for the remainder.

No company organized on the mutual plan shall transact any more than one kind of business."

MAINE

Mutual fire companies can be organized with a guarantee capital of not less than one hundred thousand dollars. No policy shall be issued until applications are made for insurance to the amount of fifty thousand dollars. Term of policies shall not exceed seven years. Companies can insure dwellings and mercantile risks. The amount of the "Total liability to assessment" must appear on policy. The insured, before receiving policy, shall deposit his note for a sum, determined by board of directors, in not less than five per cent. of amount insured, and such part as the by-laws require

shall be immediately paid; the remainder to be collected in installments, as losses and expenses may require. A mutual company collecting a cash premium of not less than tariff rate may take a premium note for an equal amount, and such companies shall maintain a premium reserve equal to fifty per cent. of the cash premium on its policies in force.

The insurance commissioner says:

"We have at this time fifty-six such companies operating under this law. It is their plan to assess the premium notes once every year, or as may be necessary to meet such losses and expenses as may have been incurred up to the date of assessment. * * * Some of these companies are confined from one to three or four towns, while others carry on a business over the entire state. * * * They carry about 1/14 of the entire insurance written in authorized companies in Maine, and the rate of insurance varies, of course, with their loss experience; in some companies being very low, in others equaling or exceeding the rates collected by stock companies." These companies file an annual statement with the commissioner of insurance and are subject to his examination.

MARYLAND

The insurance commissioner says:

"In answer to your letter of 20th inst., relative to mutual fire insurance companies, I beg leave to say that such companies can be incorporated under the general incorporation law of this state, either as mutual companies or as mutual and stock companies combined. See section 146 of our Insurance Laws.

Mutual companies so incorporated must have *bona fide* engagements of insurance to the amount of \$100,000. See Sec. 163.

Our laws do not restrict such companies to a given amount in any particular county or subdivision of the state, and they are at liberty to operate anywhere within the state.

Some of the above companies charge an advance premium estimated to cover the cost of insurance for one year, and, in a few instances, for three years. Some of them levy assessments only when losses actually have occurred, but, in addition to the advance premium, should it prove insufficient, the companies charging such advance premium are allowed to levy extra assessments for unusually large losses that may occur."

MASSACHUSETTS

The insurance commissioner says:

"Replying to yours of November 20th:
a large number of mutual fire insurance

At one time there were
companies in this Com-

monwealth operating in restricted districts upon the plan of taking deposit notes when the policies were issued, and making assessments upon these notes when losses occurred. Such companies have been gradually dying out and there are only three or four left in active operation.

"They have been succeeded by mutual fire insurance companies based upon the plan of charging a cash premium when the policy is issued, this cash premium being usually somewhat in excess of the stock rate. In addition to this premium, the law requires that each policyholder shall be liable for an assessment to the amount of the cash premium and, if the by-laws of the company so provide, for as many times the cash premium as shall be fixed by said by-laws. Usually the companies fix the amount for which the policyholder shall be liable at the same amount as the cash premium, although the mill mutuals make the liability to assessment five times the cash premium.

"In practice, it has been found that the cash premiums charged are usually considerably in excess of what is necessary for carrying the risks, and, as the policies mature, a dividend is declared out of the savings."

MICHIGAN

Any number of persons, not less than seven, may associate together and form an incorporated company for the purpose of mutual insurance of the property of its members against loss by fire or damage by lightning. Can insure dwellings, school houses, farm property and detached risks in villages and cities. Cannot commence business until agreements have been entered into for insurance with at least one hundred individuals, covering property to be insured of not less than fifty thousand dollars. As a general rule, cannot write insurance in more than three contiguous counties in state. Must file annual statement with commissioner of insurance. If, after examination, company appears insolvent, commissioner of insurance must require company to levy an assessment to pay losses and expenses. If company does not comply with this requirement, such commissioner can proceed through court to dissolve company. Commissioner of insurance shall make an examination at least once a year. Laws provide also for the organization of a Michigan millers' mutual fire insurance company, manufacturers' mutual fire insurance companies, threshers' Michigan mutual fire insurance companies, retail lumber dealers' mutual insurance association.

MINNESOTA

Not less than twenty-five persons, residing in adjoining towns collectively owning property worth at least fifty thousand dollars, may form themselves into a company or corporation for mutual

insurance against loss or damage by fire or lightning. No such company shall operate in more than fifty towns, in the aggregate, at the same time. Certificate of incorporation must be approved by and filed in the office of the commissioner of insurance. By-laws and amendments must also be so filed. Can insure only farm buildings and contents, dwellings and contents, farm property, churches and school houses and similar hazards. Term of policies limited to five years. Directors may collect by advance assessment, and maintain in company's treasury an emergency fund not exceeding two mills on a dollar of the total amount of insurance in force. Policyholders must sign agreement to pay pro rata share of losses and expenses. Must file annual statement with commissioner of insurance. Whenever requested by five or more members, commissioner of insurance shall make an examination of any association, and, upon application to the court, can dissolve association.

MISSISSIPPI

Mutual fire companies cannot be licensed to do business in this state unless they have a cash capital of at least one hundred thousand dollars.

MISSOURI

County mutual fire insurance companies:

Fifty or more persons may incorporate, by petition to the circuit court of their county. Can insure dwelling houses, stores, shops and buildings and contents, situated in county where incorporated. Maximum risk cannot exceed ten thousand dollars. No policy of insurance issued unless a majority of the board of directors concur in the issuance of the same. Can do business on premium note basis, and a part of such note, not exceeding ten per cent., shall be immediately paid. All members are liable for their pro rata share of losses and expenses. Term of insurance shall not be less than one month, nor more than ten years. Associations doing business on premium note basis shall not make more than one assessment for losses in any one year, and may borrow money as may be required, to be repaid by assessment. These associations are exempt from the general provisions of insurance laws and do not report to insurance department.

Farmers' mutual fire insurance companies:

All farmers mutual fire and lightning insurance companies organized in this state, for the purposes of mutually insuring the property of the members, and paying by assessment any loss incurred by any member thereof, as provided in their constitution and by-laws. They are exempted from the provisions of law applicable to insurance companies, provided that such companies

shall do business only in the counties in which they are organized. Such a company can be incorporated by filing a copy of its constitution and by-laws with secretary of state.

MONTANA

Mutual rural insurance companies may be organized by not less than twenty-five persons, who, collectively, shall own, in any county of this state, property of the value of twenty-five thousand dollars, for the purpose of insuring the property of their members against loss or damage by fire, or the elements. Articles of incorporation must be prepared, one copy of which shall be filed with the county clerk and recorder of the county where the operations of the corporations are to be carried on, and another copy with the state auditor. By-laws show how business shall be carried on. No policies of insurance shall be issued until company has received applications aggregating fifty thousand dollars. When the aggregate amount of insurance in force is less than fifty thousand dollars, the directors of the company shall proceed to wind up its affairs. Annual statement must be filed with county clerk and state auditor, the latter having authority at any time to examine the affairs and books of any such corporation. Insurance cannot be written within the limits of any incorporated town or city. Cannot insure property not situated within the county where its operations are carried on. No corporation organized under this act shall accumulate any profits or pay any dividends.

In reply to the department's letter the deputy commissioner says, in part:

"I might state that, at the present time, we have only four companies which have taken advantage of the act providing for mutual rural insurance companies, and the business transacted by them is very limited."

NEW HAMPSHIRE

Town and county co-operative fire insurance associations must be chartered by special act of the legislature. Members shall not be liable for debts beyond liability to assessments for losses, nor to such assessments beyond amount of their deposit notes. Any company charging a full cash premium may limit the liability of policyholders to assessment, by a stipulation in the policy, which shall have the same effect as a deposit note signed by the insured. No policyholder in company, in which amount insured is less than fifty thousand dollars, shall be assessed any greater sum than he would be if that amount were insured; but the officers of the company shall be individually liable for the indebtedness of the company not provided for by such assessment. No more than 30 per

cent. above its actual indebtedness shall be assessed by any such company to close its affairs; and the officers and agents thereof shall not receive more than 20 per cent. of the money collected, for their services in closing the business. A mutual fire insurance company may limit its operations within certain prescribed boundaries, and, in such case, it shall be forever barred from insuring property situated outside those boundaries. If company is insolvent or guilty of gross waste, misconduct or negligence in its affairs, the commissioner shall ask the court for a forfeiture of its charter and a settlement of its affairs. Whenever requested in writing by five or more policyholders, setting forth probable grounds for a belief that company is insolvent, etc., commissioner shall make a personal examination of its affairs. Companies must file annual statements with the Insurance Commissioner.

NEW JERSEY

Mutual fire insurance companies can be organized when engagements for insurance, the premiums on which shall amount to \$10,000, and notes of solvent parties have been received in advance therefor, such notes shall be considered the capital stock of such company. If surplus at any time shall equal amount of scrip issued, Commissioner may issue a certificate of amount of such surplus, and company may create a capital stock for whole or any portion of amount of such scrip, and may issue certificates of stock in exchange for such scrip, and holders of such stock shall be non-assessable. May borrow money, not exceeding \$25,000, to pay losses. When liabilities for unpaid losses amount to \$25,000, directors must levy an assessment within sixty days, or be personally liable. Companies can insure dwellings, schoolhouses, churches, mechanic shops and farm property. Must file annual report with Commissioner of Insurance and are subject to examination.

NEW MEXICO

Superintendent of Insurance says:

"Replying to your favor of the 20th inst. would advise you that *all* companies transacting business in New Mexico must have a paid-up cash guaranty fund of not less than one hundred thousand dollars (\$100,000) as provided in section 5, chapter 48, Laws 1909, on page 22 of insurance laws. * * * Would also refer you to section 2137, chapter 1, compiled laws 1897."

NORTH CAROLINA

In the formation of mutual fire insurance companies to operate in no more than two counties of this State, whether town or

farmers' mutuals, the requirement as to amount of insurance is \$25,000 in risks owned by not less than twenty-five adult residents of such towns or counties. These subscriptions must be certified as genuine to the Commissioner of Insurance. Charters are issued by the Secretary of State, after approval by the Commissioner of Insurance. Every such association shall keep in its treasury at least the amount of one assessment sufficient to pay one average loss. No officer or other person whose duty it is to determine the character of the risk shall receive as any part of his compensation a commission upon the premiums. Each policyholder is entitled to vote by proxy at elections. Associations must report to Commissioner of Insurance and are subject to examination.

Commissioner of Insurance says:

"At first I had some trouble with these associations, but, after I required them to collect and keep on hand one advance assessment of such amount as would pay the average loss in the time in which they take to make and collect assessments, I found no trouble in other directions."

NORTH DAKOTA

County Mutual Companies: Any number of persons not less than fifty, residing in not more than ten counties, who collectively own property of not less than one hundred thousand dollars in value they desire to insure, or any number of persons not less than twenty-five, residing in any one county, owning property of not less than twenty-five thousand dollars in value, may form a corporation for mutual insurance against loss or damage by fire, lightning, hail or cyclone. Corporations writing fire insurance may create a loss fund of not to exceed three thousand dollars. Assessments are levied on the policyholders to pay losses and if the amount received from an assessment is not sufficient to pay losses a second assessment to pay losses in full can be levied upon those who paid the first assessment. Can insure only detached dwellings and contents, farm property, schoolhouses and churches and contents, and cannot insure any property within the limits of any incorporated city or village. Must file annual statement with insurance commissioner and are subject to his supervision.

OHIO

Not less than ten persons owning insurable property in this State may associate themselves together for the purpose of insuring each other against loss by fire or lightning, and assessment and collection of money to pay losses shall be regulated by constitution and by-laws. Certificate of incorporation shall be filed with Secretary of State. Before transacting business association must file

with Superintendent of Insurance a copy of articles of association and by-laws, and, if association has complied with law, Superintendent of Insurance shall issue a certificate of authority to transact business. All assessments must be for previous losses and expenses. Must file annual statement with Superintendent of Insurance. Associations of this character may reorganize as mutual fire insurance companies when they possess the necessary qualifications.

OKLAHOMA

Associations of not less than 1,000 persons may be formed for the purpose of mutual insurance of farm property, and detached dwellings sixty feet distant. Can transact business anywhere within State. Articles of incorporation to be approved by Insurance Commissioner. Directors must be farmers. Premium on original insurance must be at least \$25,000, of which at least \$5,000 shall have been paid in cash, and notes of solvent parties received for the remainder. No note shall exceed \$100. Maximum risk limited to \$1,500 until association has \$3,000,000 of insurance in force, and can then be increased to \$3,000. Company shall set aside an amount equal to 10 per cent. of gross premiums for the purpose of creating a reserve fund. No member of company shall be liable for any amount other than the gross amount of premiums stated in policy. Companies must file annual report with Insurance Commissioner and are subject to investigation and examination by such Commissioner.

OREGON

The Insurance Commissioner says:

"In response to yours of the 20th, enclose the several sections of the statutes of Oregon, relating to insurance companies regulating mutual fire insurance. Under these provisions, twelve local mutuals are transacting a general fire insurance business throughout the State. Some of them confine their risks to certain classes of property and others accept practically all classes of risks, basing their rates on the rates charged by the stock companies which are authorized to transact business in the State."

No mutual insurance company shall transact business until subscriptions have been received for at least \$300,000 of insurance, divided among at least 300 residents of the State. Must file annual statement with Insurance Commissioner. Companies cannot set aside as a reserve fund more than 15 per cent. of premiums and assessments collected. Companies are subject to examination by Insurance Commissioner.

PENNSYLVANIA

The Insurance Commissioner says:

"I am in receipt of yours of the 20th instant, and in reply beg to say that mutual fire insurance companies are incorporated and operate under the provisions of the Act of May first 1876 (P. L. 53).

"The business of these companies, however, is not restricted by law to any particular locality but can transact business anywhere in the State. There are over 250 of these companies operating in the State at the present time, the majority of whom limit in their constitution and laws the territory in which the business can be transacted. Perhaps one-half of these companies take a note for the designated per cent. of the insurance and assess this note annually for losses and expenses. Others again do not take a note but make an assessment at the end of each year for the losses and expenses that have occurred during the year and there are again others that issue two classes of policies, one for which they take the cash premium and relieve the member from assessment and at the same time have another class of members, whose policies are subject to assessment."

RHODE ISLAND

The Insurance Commissioner says:

"We acknowledge receipt of your letter of the 20th instant, concerning mutual fire insurance companies, their method of organization, and the laws which relate to the transaction of their business.

"In Rhode Island, every corporation, to carry on the business of insurance, is created only by the General Assembly on petition thereto. (General Laws, chapter 176, section 10.) These acts of incorporation in each instance provide for the requirements which shall be complied with by such companies before they begin to transact business. Chapter 181 of the General Laws, printed on page 9 of the pamphlet sent you under separate cover, regulates the business of these companies.

"Section 4, chapter 183 of the General Laws, page 34 of the pamphlet, provides that all fire insurance companies shall use none other than the standard form of policy. This is held to apply to mutual as well as to stock fire insurance companies.

"All mutual fire companies organized in Rhode Island charge an advance premium, usually more than sufficient to cover all the losses and expense, and provide for the unused portion at the expiration of the policy. In addition to this advance premium they provide in their policy contract for the levy of an assessment in case the advance premium be not sufficient to meet losses. The

maximum amount of this assessment in each instance is fixed by the terms of the company's charter or act of incorporation. In some instances companies may assess for three times the premium collected, and in the case of what are known as 'factory mutuals' this assessment may be made for twenty times the cash premium.

"You will find in the Department Report for the year 1909, part I, pages 25 to 113 inclusive, abstracts of the annual statements of the mutual fire insurance companies organized in Rhode Island and transacting business here on December 31, 1908."

SOUTH CAROLINA

Insurance Commissioner, in answer to department's letter, says:

"Mutual fire insurance companies may be organized in this state and levy assessments on their policyholders to pay expenses and fire losses. The restriction placed upon them is that if they operate outside of the county in which organized and one adjoining county, they must deposit with the Insurance Commissioner securities to the amount of \$10,000. This practically restricts these companies to operation within the county in which organized and one adjoining county. As a matter of fact, the large majority of these companies operate only in the one county. When so operated they have been particularly successful. The experience in this state has been that only such companies as branch out have failed. Those conducted in one county have proved almost universally successful."

SOUTH DAKOTA

Twenty-five persons residing in the same county or in adjoining counties, not exceeding in number five counties, owning collectively property not less than \$25,000 in value, may form a corporation for mutual insurance against loss or damage from fire or lightning. Same provisions apply to organization of town mutual insurance companies, but territory limited to twenty-five townships and incorporators must be residents thereof. Must file articles of association and by-laws with auditor of county. Policyholder must sign undertaking binding himself, his heirs, etc., to pay his *pro rata* share of assessments. Not subject to supervision by the Insurance Department.

TEXAS

Citizens and freeholders of State, not less than seven, may incorporate a company for the purpose of mutual insurance against loss or damage by fire, lightning and storms. The word "mutual" must appear in title. Must report to Commissioner of Insurance and are amenable to all laws governing stock fire insurance companies in so far as applicable. To organize, applications

must be secured for insurance from at least 100 applicants, each owning real estate to the value of at least \$1,000, the first assessment or premium on which shall amount to at least \$10,000, for which notes shall be given by solvent parties. Sixty per cent. of first assessment collected (it being not less than \$6,000) shall be invested in mortgages, city, town or school bonds within State, and these must be deposited with Treasurer of State. Assessments are levied as losses require. After first assessment, 50 per cent. of every assessment collected shall be used exclusively for losses; 10 per cent. shall be used for increasing reserve fund until such company shall have on deposit with the State Treasurer \$100,000 of securities, and the remainder of assessment can be used for necessary expenses. Examination of company and securities shall be made annually by Commissioner of Insurance.

Local mutual fire insurance companies organized to transact business in only one county, which employ no agents or do not solicit insurance or pay anyone for procurement of insurance but conduct their business in the various localities by and through local chapters, councils and societies, where every policyholder signs an undertaking to pay all assessments, collect separate premiums or assessments for losses and for expenses and salaries, the amount of the latter not exceeding twenty-five or thirty-five cents on each \$100 of insurance, are not required to create a reserve fund, or deposit securities, nor be subject to the above provisions relating to mutual fire companies, other than to make an annual report to the Commissioner of Insurance.

UTAH

Twenty-five or more persons, who collectively own property of not less than \$50,000 in value, may incorporate a county insurance company for the purpose of insuring against loss or damage by fire or lightning. Can insure detached dwellings, schoolhouses, churches and farm property for a term of not over five years and for an amount not to exceed \$2,000 on any one risk. Cannot insure any property beyond the limits of the county comprised in the formation of company, nor in the limits of any city containing over 12,000 inhabitants. Can borrow money not to exceed one-half of 1 per cent. of all the property insured, to pay a loss, and, when the loss exceeds that amount, an assessment shall be levied. Must file an annual statement with Insurance Department. If commissioner is satisfied that association is doing business correctly, he shall furnish company his certificate, which shall be deemed authority to continue in business the ensuing year.

VERMONT

The Insurance Commissioner says:

"Replying to your favor, addressed to Mr. Bailey, concerning town and county co-operative fire insurance associations. I wish to say that, under the laws of our state, no company can be chartered to transact an insurance business except by special act of the legislature. There are now five mutual fire companies doing business on the assessment plan, the oldest, the Vermont Mutual, having been chartered in 1828, the Union Mutual in the early seventies; both of the foregoing companies being domiciled at Montpelier. Then there is the State Mutual Fire of Rutland, which has been doing business about ten years, and the Burlington Mutual Fire of Burlington and the Granite Mutual Insurance Company of Barre, which were chartered by the legislature of 1906.

"I understand the practice of all these companies is to charge a small advance premium and then an assessment is levied at the end of the year to pay the losses and expenses for that year.

"Sections 4777 and 4778 of the public statutes provide that these companies may accumulate a surplus fund. The two oldest companies have maintained a steady rate of assessment at 4 per cent. of their premium notes for several years and have in addition accumulated something of a surplus. It has happened that occasionally a 4 per cent. assessment would not pay all of the losses but it has been very seldom that the surplus has been drawn upon on this account.

"Twenty or thirty years ago there were a large number of these mutual companies transacting business in different localities in the state, but they all went to the wall, with the exception of the two Montpelier companies, which seem to have been better managed and these companies do a small business outside of the state, in Maine, New Hampshire and the Province of Quebec, and I am not sure but that the Vermont does a small business in Massachusetts.

"The sections of the statutes which pertain particularly to these companies are sections 4755, 4759, 4772, 4777 and 4778."

VIRGINIA

The Commissioner of Insurance says:

"Replying to your favor of the 20th instant, I beg to advise that associations transacting the business of fire insurance on the co-operative or mutual plan can be organized in this state. Such associations are limited to not more than four contiguous counties of this State, or in more than four contiguous counties, provided

the territory embraced in the counties in which business is done has not a population exceeding 100,000, and is not designed to accumulate profits for the benefit of, or pay dividends to, the stockholders or members thereof; this law is found in section 25 on page 69 of the Act 'Concerning the Bureau of Insurance.' Such companies organized since March 9, 1906, are under the supervision of the Bureau of Insurance, and are required to furnish an annual statement of their condition and pay a license fee of \$20 per annum."

WASHINGTON

Ten or more persons, residents of the state, may form a company for the purpose of mutual protection against loss by fire, by filing one copy of their articles of association with the auditor of the county in which the principal place of business is intended to be located, and another in the office of the Secretary of State. The liability of any of the members shall not be less than a sum equal to one annual premium, nor more than a sum equal to five times the amount of one annual premium. No policy of insurance shall be issued by any such company or association until not less than \$200,000 of insurance has been subscribed, and at least 25 per cent. of the premiums have been paid in cash. Persons engaged in a like class of business may organize a corporation and issue policies upon conditions approved by the Insurance Commissioner. Any association organized under this act may issue policies of insurance outside of any incorporated city or town when \$50,000 of insurance has been subscribed. The maximum risk is limited to \$1,000 for each \$750,000 of insurance in force. Associations organized by persons in a like class of business may issue policies on a single risk for an amount not exceeding 25 per cent. of the annual premiums of all insurance in force, subject to the approval of the Commissioner of Insurance. No policy shall be issued for more than three-fourths of the estimated cash value of the property insured. Annual statements must be filed with Insurance Commissioner. Whenever it shall appear to the Insurance Commissioner that any association is insolvent, he shall make an examination of such company or association, and has power to administer oaths and examine the various officers thereof. If the unpaid losses of the company amount to twenty-five cents on each \$100 of insurance actually in force, or if the laws of the state are being violated by the company or association, the Commissioner shall order the laws complied with and require all losses to be paid within sixty days. Upon failure to comply, the Commissioner shall revoke the license until the laws have been complied with. All assessments levied shall be at the rate of 15 per cent. of the amount of the annual premium charged by stock companies, provided, however, that any association or corporation may, in the

discretion of its trustees, accept cash premiums for the term of the policy in lieu of the assessments levied upon its members. These associations are permitted to do business all over the state.

In reply to the department's letter the Insurance Commissioner says in part:

"I wish to say that this law has some very objectionable features. For instance, it fixes a liability of membership and then further on destroys all idea of mutuality by allowing the companies to accept cash premiums in lieu of assessments. Because of this provision nearly every mutual company in the state is doing business on a stock company plan, which will eventually prove a source of prolific legal controversies."

WEST VIRGINIA

Farmers' mutual co-operative insurance companies can be organized on the assessment plan for the purpose of insuring property against damage by fire, lightning or tornadoes, and territory is limited to one or more counties. Company is required to file with the Insurance Commissioner a certified copy of charter and a sworn statement that applications have been made by not less than twenty-five citizens for not less than \$25,000 of insurance, of which amount no single risk shall exceed \$1,000. A clause must be plainly printed on policy that holder is liable for *pro rata* assessments for losses and expenses. Can accumulate a surplus or emergency fund as may be deemed advisable by board of directors. No officer who determines character of risks shall receive a commission on premiums. Maximum risk shall not exceed 1 per centum of whole amount of insurance in force. Dividends can be paid as directors may determine, but the per cent. of dividends shall not be so large as to require the payment during any calendar year of more than 50 per cent. of the net cash surplus at the beginning of that year. Must make annual report to Insurance Commissioner and must be examined by him at least once in three years.

WISCONSIN

The Commissioner of Insurance says:

"In compliance with your request of the 20th, I beg to inform you that sections 1927 to 1941n, inclusive, of our statutes provide for the organization of town mutual insurance companies, which companies are limited to thirty townships or to a single county. Sections 1941-2 to 1941-12 apply to city and village mutual insurance companies. Such companies are limited to all territory included in the state. The first named companies levy assessments to meet losses, while the latter named companies collect a stipulated premium which, in most instances, is from 50 to 60

per cent. of the old line rates. These companies also make assessments in case the premium is not sufficient to meet losses. Sections 1896 to 1903, inclusive, make provision for the incorporation of mutuals other than the ones mentioned, such as school district mutuals, hardware dealers' mutuals, dry goods and grocers' mutuals, druggists' mutuals, etc. These companies charge a stipulated premium and provide in their articles for a stipulated number of times the regular annual premium that may be levied as assessments, and in case of such limitation are denominated "limited mutuals." We have 205 town mutual insurance companies, 60 city and village mutuals, 4 church mutuals, 14 hail mutuals, 2 retail lumber dealers', 1 millers' and manufacturers', 1 hardware dealers', 1 druggists', 1 school district, 1 retail liquor dealers' and 1 dry goods and grocers' mutuals."

Town-Mutuals: Not less than twenty-five persons residing in the same town or adjoining towns not exceeding thirty in number, collectively owning insurable property of not less than \$25,000, may form themselves into a corporation for mutual insurance against loss or damage by fire or lightning. A copy of articles of association, by-laws, policy and of each blank used shall be furnished to and filed by Commissioner of Insurance. Can insure detached dwellings, farm property and can insure not exceeding \$3,500 on any single risk, country stores, schoolhouses, churches, country hotels, creameries, cheese factories, water mills and blacksmith shops. Can reinsure with other town companies doing business in same territory. Policy blank shall be approved by Commissioner of Insurance but companies shall not be required to use standard policy.

City and village mutuals: Can insure property located anywhere in state, but no risk shall exceed \$3,000, and no policy shall be issued for a term of more than three years. Must file annual report with Commissioner of Insurance.

Conclusion. This report covers all town and county co-operative fire insurance associations doing business in this State, in so far as any record of the names and locations of such associations are obtainable.

The officers of the various associations examined have willingly produced all records and books and furnished all required information. Every association from which a report of its condition and affairs was requested promptly complied therewith. For these reasons, the investigation has been greatly facilitated.

Respectfully submitted,

JOHN L. TRAIN,

Assistant Examiner.

APPENDIX A

The syllabus of each of the important cases decided by the courts regarding town and county co-operative fire insurance associations are here given in full.

REBECCA J. VAN LOAN, Respondent, *v.* THE FARMERS' MUTUAL FIRE INSURANCE ASSOCIATION OF THE TOWN OF CATSKILL, Appellant (90 N. Y. 280).

A mutual fire insurance company organized under the act authorizing "the formation of town insurance companies" (chap. 739, L. 1857, as amended by chap. 285, L. 1858, and chap. 80, L. 1861), may bind itself by parol to issue a valid policy.

An application to such a company for insurance is, in effect, an application to become a member thereof upon the terms prescribed by its charter and its constitution and by-laws.

Plaintiff applied to one of defendant's directors for insurance, who made a survey, which specified the value of each building and of the contents; he also received the sum required by defendant's by-laws and agreed to send the policy. Before this promise was performed a fire occurred, and on the next day thereafter plaintiff executed and delivered to defendant her undertaking, as required by said act (section 5) and by the defendant's by-laws. In an action to compel defendant to issue a policy and to pay the amount insured, held, that the application was in effect an application to become a member of the defendant upon the terms and conditions prescribed by its charter, constitution and by-laws; that plaintiff must be deemed to have agreed to accept a policy in the usual form issued by defendant and to give the undertaking prescribed; that a valid agreement for insurance could be made before the undertaking was given, which would be sustained by an agreement, express or implied, to give such undertaking; that the agreement, therefore, was binding upon both parties; and that an order nonsuiting the plaintiff on trial was error.

New York Supreme Court, General Term, Third Department.

RICHARD SMITH, Appellant, *v.* GEORGE W. ROBINS et al.,

Respondents.

Decided December, 1884.

Where different parties claim an award made for the same loss and there is a reasonable doubt as to which party is entitled to it the refusal of the directors to make an assessment and pay the award to one of them is not a "wilful refusal" within chapter 739, Laws of 1857.

Before the making of such an assessment could be claimed as a duty, plaintiff must show under section 7, that the loss exceeded the cash funds of the company.

The decision of the committee of reference appointed under section 6 by the county judge is final only as to the amount of the loss, and does not preclude the company from any defense it may have, or take away the right to a jury trial.—(20 Weekly Digest, 301.)

GEORGE L. PRATT, Appellant, *v.* THE DWELLING HOUSE MUTUAL FIRE INSURANCE COMPANY of Orleans, Niagara and Monroe Counties, N. Y., Defendant.

JOHN E. DIDAMA, as Receiver of The Dwelling House Mutual Fire Insurance Company of Orleans, Niagara and Monroe Counties, Respondent (7 App. Div. 544).

Mutual insurance company—Its members are liable only for a pro rata share of the loss—They are not liable for the defaults of the other members—Notice to the members of an application for assessment.—Laws 1880, chap. 362, § 7; 1881, chap. 171, § 5.

Upon an application made by a policyholder of a mutual insurance company for an order requiring its receiver to make a reassessment upon its members, it appeared that the court, upon the application of the plaintiff, who had sustained a loss covered by his policy, had already ordered the receiver to make one assessment upon the members of the company to meet the loss; that if all of the members had paid their pro rata share, enough would have been realized upon this assessment to pay the plaintiff's claim, but that as some of the members were for various reasons unable or unwilling to pay the assessment, the plaintiff only succeeded in getting about two-thirds of his claim. The reassessment was asked for the purpose of realizing the remainder of the claim.

The act under which the company was organized provided that "every person * * * so insured shall give his, her, its or their contract or agreement, binding him, her, it or them, their heirs or assigns, to pay their pro rata share to the company of all losses or damages caused by fire or lightning, which may be sustained by any member or members thereof. He, she, it or they shall also pay such percentage in lawful money, and such reasonable sum for policies and expenses, and within such time as may be required by the by-laws of said company."

Held, that the obligation imposed by the statute upon a member was merely that he should pay his pro rata share of any

losses, and that he did not indemnify the insured against a deficiency arising out of the insolvency of a member, nor did he incur any obligation to pay the proportion of any other member who became insolvent, or who was, from any cause, unable to pay his proportionate share of the loss.

Semble, that in such a proceeding, the members of the company to be assessed should have notice of the hearing before the referee appointed to take proof and to report whether a further assessment should be made, to the end that they might contest the application, and, if necessary, except to the referee's report and oppose its confirmation.

CHARLES I. EDDY, Respondent, *v.* FARMERS' MUTUAL INSURANCE COMPANY of Orleans and Niagara Counties, Appellant (20 App. Div. 109).

Co-operative town insurance company — The property insured by, may be used anywhere where the use is customary — A trotting horse, insured in one county, destroyed by fire in another where he was being trained.

In the absence of special restriction, clothed in clear and unequivocal language, as to the territory within which property is to continue to be insured, the parties will be deemed to have contemplated that the property may be used in the ordinary way, and that, while thus used the insurance shall attach to it wherever the property may be while the owner is using it in a customary way.

A policy of insurance, covering a trotting stallion, issued in the county of Niagara by a co-operative town insurance company authorized to do business only in the counties of Orleans and Niagara, in the application for which insurance the stallion is not stated to be in any building or any particular place, nor restricted by the policy from temporary or permanent removal by its owner from the county of Niagara, and to the knowledge of the company's agent, when the policy was issued, was expected to be trained subsequently in the city of Buffalo for racing, and which was destroyed by fire in said city of Buffalo, does not in terms constitute a violation by the company of the provisions of section 12 of chapter 573 of the Laws of 1886, forbidding the issue of a policy on "property out of the limits of the territory;" nor is it an infraction of section 278 of chapter 38 of the Laws of 1892, as amended by chapter 907 of the Laws of 1896, forbidding such a company to "transact business" beyond the territorial limits mentioned in its certificate of incorporation.

WINFIELD S. SPINK, Appellant, v. CO-OPERATIVE FIRE INSURANCE
COMPANY OF WYOMING AND GENESEE COUNTIES, Respondent
(25 App. Div. 484).

County co-operative fire insurance — A by-law that the amount of the loss shall be finally determined by certain committees of the company is not against public policy — The interest of a member of the committee as policyholder or director does not invalidate its decision.

A stipulation contained in the by-laws of a county co-operative fire insurance company, incorporated under the Insurance Law (L. 1892, chap. 690, art. IX), and made a part of the policy, providing that losses shall be adjusted by a committee of three directors, and that in case a loser is dissatisfied with the action of the adjustment committee, he may appeal to the executive committee, composed of the president, the secretary and three members of the committee elected by the directors, whose decision shall be final, does not improperly oust the courts of jurisdiction. and, being authorized by the statute, is valid.

Nor, it seems, irrespective of the statute, in the absence of any proof of fraud, mistake or misconduct, is it void as against public policy by reason of the fact that the adjusters are officers in, and members of the corporation, and thus liable to assessment for losses.

The pecuniary interest of a director or member in such corporation which, by its constitution, requires that applications to the amount of \$200,000 shall be made to it before any policy shall be issued, is too slight to disqualify him from serving as a member of either committee.

THE ROCKLAND & HARDENBURGH TOWN FIRE INSURANCE COM-
PANY, Respondent, v. JERRY S. BUSSEY, Appellant (48 App.
Div. 359).

Town co-operative insurance — Irregularity in the incorporation of a *de facto* company is not a defense to assessment by it — They may be levied to pay an indebtedness.

A person who applies for and obtains a policy of insurance issued by a *de facto* town co-operative insurance company cannot, in an action brought by the corporation to recover an assessment levied upon him, question the regularity of its incorporation where it appears that he paid all the prior assessments levied upon him.

Where such a corporation elects, as it may lawfully do, to levy assessments from time to time as losses occur, it may include in an assessment moneys borrowed to make good a deficiency in a prior assessment arising from its failure to collect assessments from policyholders.

THE PATRONS OF INDUSTRY FIRE INSURANCE COMPANY, Appellant, v. WATSON H. HARWOOD, Respondent (64 App. Div. 248).

Co-operative fire insurance — Liability of a withdrawing member — How ascertained — When it ceases.

When a member of a co-operative fire insurance company makes application to withdraw from the company, under section 274 of the Insurance Law (L. 1892, chap. 690), which provides: "any member of any such corporation may withdraw therefrom at any time by ten days' notice in writing to the Secretary and paying his share of all claims existing against the corporation and surrendering his policy or policies," there should be a settlement and adjustment between the company and the withdrawing member, and the liability of the member on all claims against the company, whether for loss or damage by fire or for accrued expenses, should be computed and included therein, and if he is liable for prospective expenses of collecting an assessment for existing claims, a reasonable amount should be added therefor.

When a settlement and adjustment is made between the company and the withdrawing member, and his policy is canceled, he ceases to be a member of the company, and cannot be again assessed as such nor be compelled to pay any further claim for losses or expenses unless the settlement and adjustment is set aside for fraud or mutual mistake.

NIAGARA FIRE INSURANCE COMPANY v. WESTERN NEW YORK CO-OPERATIVE FIRE INSURANCE COMPANY.

Niagara Fire Insurance Company of Erie County v. Western New York Co-operative Fire Insurance Company of Monroe County, 75 App. Div. 609, affirmed, without opinion.

Judge Sutherland in 114 N. Y. Supp. 204, states in his decision that the appeal papers in the above case show that the validity of the agreement of the defendant company reinsuring the risks of the plaintiff was the one question involved and that the agreement of reinsurance was upheld by the court.

THE PATRONS OF INDUSTRY FIRE INSURANCE COMPANY OF SARATOGA COUNTY, N. Y., Appellant, v. WILLIAM A. PLUM, Respondent (84 App. Div. 96).

Estoppel — A co-operative fire insurance company, which has undertaken to insure property in a county in which it was not authorized to do business — The insured may refuse to pay an assessment.

In an action brought by a co-operative fire insurance company, organized for the purpose of doing business in the county of

Saratoga, and which has attempted to qualify itself to do business in the county of Warren, to recover an assessment levied by it upon the holder of a policy of fire insurance issued by it covering property in the county of Warren, the defendant, who has received no benefit from the policy is not estopped from asserting that the plaintiff's attempt to qualify itself to do business in Warren county was ineffective, and that the policy was, consequently, void under the statute.

SKANEATELES PAPER COMPANY v. AMERICAN UNDERWRITERS'
FIRE INSURANCE COMPANY OF MONROE COUNTY.

Supreme Court, Special Term, Monroe County, October, 1908.

Decision unanimously affirmed by Appellate Division, Fourth Department, November 17, 1909.

1. Insurance — Co-operative Insurance Companies — Extending Territorial Limits — Invalid Extension — Liability of Policyholders in Annexed Territory.

If a county co-operative insurance company extends its business into new counties without having \$1,000,000 of insured property for each new county, as expressly required by Insurance Law (L. 1898, page 1506, chap. 654), § 278, as amended, the members taking policies upon property situated in the new counties cannot be compelled to pay assessments.

2. Insurance — Co-operative Insurance Companies — Right to Reinsure — Liability to Assessment — "Insured Property."

A town or county co-operative insurance company may reinsure the risks of another such company, and the subject-matter of the reinsurance thereupon becomes "insured property" of the indemnifying company within Insurance Law (L. 1898, page 1506, chap. 654), § 278, as amended, allowing a town or county co-operative insurance company doing business in five counties to extend into adjoining counties not exceeding one for each \$1,000,000 of its "insured property," and the reinsured company becomes a member of the indemnifying company and subject to pro rata liability for assessments to pay losses during the life of the reinsurance contract (L. 1897, page 12, chap. 29), § 268, requiring assessments for a loss or a general assessment for the current year to pay estimated losses to be made pro rata "upon all the property at that time insured."

3. Insurance.

Where a county co-operative insurance company extended its business into adjoining counties, and for three years dealt with

agents and insurers in those counties without any officer or director questioning the regularity of the extension, it was thereafter precluded from contending that the resolution for the extension was not passed by a quorum of the board of directors.

4. Insurance — Co-operative Insurance Companies — Assessments to Pay Losses — Extent of Authority — "Deficiency in the Preceding Year."

Insurance Law (L. 1892, page 2032, chap. 690), §. 268, amended by Laws 1897, page 12, chap. 29, authorizes directors of a county co-operative insurance company to borrow money to pay a loss and to make an estimate of the sum necessary to pay losses and expenses for the current year and supply any deficiency in the preceding year, and assess the amount at such times as in their discretion would be most advantageous to the company, and that no assessment shall be invalid because made to pay money borrowed and used to pay a claim for loss or damage. *Held*, that a "deficiency in the preceding year" embraces outstanding claims not paid when the year closed, including money borrowed to pay losses, and is not confined to claims originating in the preceding year, and the company could at any time levy an assessment sufficient to extinguish all claims and deficiencies for which the company was liable, as well as to supply funds for carrying the company through the current year, though it would bind new members for previous debts and would relieve persons who were members when the old debts were incurred but had subsequently dropped out.

5. Insurance — Co-operative Insurance Companies — Assessments to Pay Debts — Power of Receiver.

Though Insurance Law (L. 1892, page 2032, chap. 690), § 268, amended by Laws 1897, page 12, chap. 29, restricts the power of directors of a county co-operative insurance company to make an assessment to members owning property insured at the time of the assessment, a receiver appointed for the company upon its insolvency may make an assessment to pay its debts upon those who were members when he was appointed; the rights and liabilities of the creditors and members being determined by their status at the time the receiver was appointed.

6. Insurance — Co-operative Insurance Companies — Policy and By-Laws — Notice of Character of Company.

A policy of a county co-operative insurance company taken in connection with the company's by-laws printed on the back thereof *held* sufficient to disclose to one familiar with the statute under which it was organized, and which was mentioned in the by-laws, that the company was a co-operative company; and hence the fact that applications for insurance in a co-operative insur-

ance company which contained a promise of the insured to pay his pro rata share of losses sustained by other members during his membership were not signed by the applicants, but were generally signed by the agent using the applicants' names, did not relieve the applicants from their obligations as members to so pay.

7. Insurance — Co-operative Insurance — Liability of Members — Failure to Sign Undertaking Required By Statute.

The provision of Insurance Law (L. 1892, page 2032, chap. 690), § 267, as amended, that a person insured in a county co-operative insurance company shall give his undertaking to pay to the company his pro rata share of losses to members thereof, etc., for which he is liable as a member, is for the protection of the company, and may be waived by it without losing its right to enforce the obligation.

8. Insurance — Co-operative Companies — Form of Policies Allowed — Statutory Provisions.

While mutual fire insurance companies organized under Insurance Law (L. 1892, page 1973, chap. 690), §§ 110-137, as amended, may issue a policy for a fixed sum without liability for further assessment under section 116 (page 1977), providing that they may, in lieu of a deposit note, receive from an insured the whole amount of the premium in cash without subjecting him to any other liability, town and county co-operative insurance companies organized under sections 260-279 (page 2029) are given no such right.

APPENDIX B

The following are those sections of the Insurance Law of New York (being chapter 28 of the Consolidated Laws, constituting chapter 33 of the Laws of 1909), as amended in 1909, which are applicable to town or county co-operative fire insurance associations.

To aid the investigator all matter added by amendatory laws is printed in italics, the superior figures, i. e., the reference numbers, in the body of the text indicating that all italicized matter preceding such numbers was added by the law indicated by such numbers underneath each section.

§ 57. *Application of article limited.*—The provisions of this article shall not apply to the corporations specified in articles seven and nine of this chapter, or to any town or county co-operative insurance corporation incorporated under any special act of the legis-

lature, for purposes similar to those for which corporations may be formed under article nine, * * *.

L. 1892, ch. 690. [Amended by ch. 634, and repealed by ch. 638, Laws of 1910.]

§ 63. Proceedings against and liquidation of delinquent insurance corporations.—This section shall apply to all domestic corporations, associations, societies and orders to which any article of this chapter is applicable, anything as to any such corporations, associations, societies or orders provided in this article to the contrary notwithstanding; and the words "corporation" or "corporations" herein shall also include all such associations, societies and orders.

1. Whenever any such corporation (a) is insolvent; or (b) has refused to submit its books, papers, accounts or affairs to the reasonable inspection of the superintendent, or his deputy or examiner; or (c) has neglected or refused to observe an order of the superintendent to make good within the time prescribed by law any deficiency, whenever its capital, if it be a stock corporation, or its reserve, if it be a mutual corporation, shall have become impaired; or (d) has, by contract of reinsurance or otherwise, transferred or attempted to transfer substantially its entire property or business, or entered into any transaction the effect of which is to merge substantially its entire property or business in the property or business of any other corporation, association, society or order, without having first obtained the written approval of the superintendent; or (e) is found, after an examination, to be in such condition that its further transaction of business will be hazardous to its policyholders, or to its creditors, or to the public; or (f) has willfully violated its charter or any law of the state; or (g) whenever any officer thereof has refused to be examined under oath touching its affairs—the superintendent may, the attorney-general representing him, apply to the supreme court or any judge thereof in the judicial district in which the principal office of such corporation is located for an order directing such corporation to show cause why the superintendent should not take possession of its property and conduct its business, and for such other relief as the nature of the case and the interests of its policyholders, creditors, stockholders or the public may require.

2. On such application, or at any time thereafter, such court may, in its discretion, issue an injunction restraining such corporation from the transaction of its business or disposition of its property until the further order of the court. On the return of such order to show cause, and after a full hearing, the court shall either deny the application or direct the superintendent forthwith to take possession of the property and conduct the business of such

corporation, and retain such possession and conduct such business until, on the application either of the superintendent, the attorney-general representing him, or of such corporation, it shall, after a like hearing, appear to the court that the ground for such order directing the superintendent to take possession has been removed and that the corporation can properly resume possession of its property and the conduct of its business.

3. If, on a like application and order to show cause, and after a full hearing, the court shall order the liquidation of the business of such corporation, such liquidation shall be made by and under the direction of the superintendent, who may deal with the property and business of such corporation in his own name as superintendent or in the name of the corporation, as the court may direct, and shall be vested by operation of law with title to all of the property, contracts and rights of action of such corporation as of the date of the order so directing him to liquidate. The filing or recording of such order in any record office of the state shall impart the same notice that a deed, bill of sale or other evidence of title duly filed or recorded by such corporation would have imparted.

4. For the purposes of this section, the superintendent shall have power to appoint, under his hand and official seal, one or more special deputy superintendents of insurance, as his agent or agents, and to employ such counsel, clerks and assistants as may by him be deemed necessary, and give each of such persons such powers to assist him as he may consider wise. The compensation of such special deputy superintendents, counsel, clerks and assistants, and all expenses of taking possession of and conducting the business of liquidating any such corporation shall be fixed by the superintendent, subject to the approval of the court, and shall, on certificate of the superintendent, be paid out of the funds or assets of such corporation.

5. For the purposes of this section, the superintendent shall have power, subject to the approval of the court, to make and prescribe such rules and regulations as to him shall seem proper.

6. The superintendent shall transmit to the legislature, in his annual report, the names of the corporations so taken possession of, whether the same have resumed business or have been liquidated, and such other facts as shall acquaint the policyholders, creditors, stockholders and the public with his proceedings under this section; and, to that end, the special deputy superintendent in charge of any such corporation shall file annually with the superintendent a report of the affairs of such corporation similar to that required by law to be filed by such corporation.

7. All acts of the superintendent of insurance in taking or continuing in possession of any property, or in the regulation, con-

duct or liquidation of the business, of any corporation to which this section is applicable, since the first day of January, nineteen hundred and nine, whether such taking possession, continuing in possession, regulation, conduct or liquidation was in pursuance of a contract, by mutual consent or otherwise, are hereby ratified, legalized and confirmed.

Added by chap. 300 of Laws of 1909. In effect May 7, 1909.

[Amended by ch. 634 of 1910. In effect July 1, 1910.]

ARTICLE IX*

TOWN AND COUNTY CO-OPERATIVE INSURANCE CORPORATIONS

§ 260. **Town corporations under the act of 1857.**—Corporations formed under chapter seven hundred and thirty-nine of the laws of eighteen hundred and fifty-seven, and the acts amendatory thereof, are continued in existence according to the terms of article ten of this chapter, and shall be subject to the provisions of such article and not to the other provisions of this chapter.

L. 1592, ch. 690.

§ 261. **Incorporation.**—Twenty-five or more persons residing in one or more adjoining towns, or in any county, or in one or more adjoining counties, *but not including persons residing within the limits of an incorporated city of more than six hundred thousand inhabitants,² who each own in good faith real estate not less than five hundred dollars in value⁴* and collectively own in good faith insurable real estate therein of the value of fifty thousand dollars or over, may become a corporation for either of the following purposes:

1. For the purpose of co-operative insurance against loss or damage by fire or lighting.

2. *For the purpose of preventing the larceny of domestic animals, horses, wagons, sleighs, harnesses, robes,¹ blankets, whips, clothing, wearing apparel, jewelry, grain and any kind of farm produce, and all kinds of goods and property,³ or for the purpose of mutual insurance of such property against loss or damage by larceny, or any loss or expense incurred in recovering the same when stolen, or in the apprehension of the thief or thieves, or for all the purposes named in this subdivision,¹* by making and acknowledging a certificate setting forth their intention to form such corporation, the county or counties or the town or towns in which it intends to do business, its corporate name, which shall embrace, in cases where the association includes one or more counties, the

[* Entire article repealed and superseded by a new Article IX as provided by ch. 328 of 1910. In effect July 1, 1910. See page 17 of this volume.]

name of the county in which the business office of said company is located, and in cases where the association includes one or more towns the name of the town or towns in which its office is to be located. Every person insured in such corporation who shall sign an application for insurance as required by the certificate of incorporation, or by the by-laws of the corporation, shall thereby become a member thereof.

L. 1879, ch. 287.

L. 1880, ch. 397.

L. 1881, ch. 171.

L. 1886, ch. 573 — extension to two or three adjoining counties.

¹ L. 1892, ch. 690.

² L. 1893, ch. 687.

L. 1894, ch. 609.

³ L. 1896, ch. 844.

⁴ L. 1905, ch. 217.

§ 262. **Directors.**— Every such corporation, if a town corporation, shall have not less than five directors, and if a county corporation, not less than eleven, to be chosen from the members of the corporation, who shall manage its affairs and shall hold office for one year, and such longer term not exceeding four years as the by-laws of the corporation may prescribe, and until others are elected and qualified. They may be divided into classes and a portion only elected each year. They shall choose by ballot from their number a president, secretary, and such other officers as their by-laws shall prescribe, *who shall hold their offices for not less than one nor more than four years,*² as may be prescribed in such by-laws. The board of directors shall exercise the corporate powers and transact the business of the corporation in accordance with its by-laws. The by-laws shall prescribe the number of directors to constitute a quorum, and may provide for an executive committee for such purposes as may be necessary, and may require officers to give such bonds as the needs of the corporation may require. *The board of directors may by resolution duly passed at any regular meeting, remove the office of the corporation to any other town within the county or counties where it is organized, if a county corporation; to any other town in which it is authorized to make insurance, if a town corporation. Such removal shall not be made until the expiration of five days after the passage of such resolution and the filing of a copy of the same in the office of the secretary of state.*¹

L. 1879, ch. 287.

L. 1880, ch. 362; 397.

L. 1881, ch. 171.

L. 1882, ch. 282.

¹ L. 1884, ch. 345.

² L. 1886, ch. 573.

L. 1892, ch. 690.

§ 263. **Certificate to be filed.**— The directors, before doing any business of insurance, shall prepare a statement showing the names of the persons comprising the proposed corporation, the amount of proposed insurance to each, the name of the corporation, a copy of its certificate of incorporation and by-laws, the names of the county or counties, town or towns in which it proposes to do business, the names of its directors and officers, with their post-office addresses, the place where the principal office for the transaction of its business shall be located, and the mode in which its business is to be conducted, and file a copy thereof, signed by such officers and directors, in the office of the clerk of each county in which it proposes to do business, if a county corporation, and in the office of the clerk of each town where it proposes to do business, if a town corporation, *and in the office of the secretary of state.*¹

L. 1879, ch. 287.

L. 1880, ch. 362.

¹ L. 1881, ch. 171.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 264. **Commencement of business.**— The persons signing such certificate, after having filed the statement prescribed in the preceding section, may open books to receive propositions and enter into agreements in the manner authorized by this article, but the corporation shall not do any business of insurance, or issue any policy until bona fide agreements have been entered into for the insurance of property of an amount not less than *three hundred thousand dollars*¹ for each county embraced within the territory in which it proposes to do business, if a county corporation, and of fifty thousand dollars, if a town corporation.

L. 1879, ch. 287.

L. 1880, ch. 362 — amount of insurance \$100,000.

L. 1886, ch. 573 — amount of insurance \$100,000 for each county.

L. 1892, ch. 69.

¹ L. 1905, ch. 217 — increased from \$100,000.

§ 265. **Records.**— The directors of every such corporation shall procure proper books in which the secretary shall keep a perfect record of all transactions of the corporation and of the board of directors, which shall show at all times fully and truly the condition, affairs and business of the corporation, and which shall be open for the inspection of every member of the corporation every day from nine o'clock in the forenoon to four o'clock in the afternoon, Sundays and legal holidays excepted.

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 266. **Policies of insurance.**—The directors of every such corporation may issue policies of insurance signed by their president and secretary, agreeing in the name of the corporation, if formed for the purpose specified in the first subdivision of section two hundred and sixty-one, to pay all damages not exceeding the amount insured, which shall not be more than *seven thousand dollars*¹ in any one risk, done to dwelling-houses, barns and their contents, *hop-houses and the hops and fixtures therein*,⁴ *cheese factories and their contents and creameries and their contents, school buildings and their contents*,³ and other property not more hazardous, *buildings and their contents*,⁷ in towns, cities and villages, separated from any other risk of said company such distance as the by-laws of said corporation may prescribe, and live stock owned on the premises, by fire or lighting, during the time mentioned in the policy, which shall not be less than *three months*⁵ or more than five years; or if formed for the purpose specified in subdivision two of section two hundred and sixty-one, agreeing to pay all damages and expenses which may be sustained or incurred by the holder thereof from the larceny of domestic animals belonging to him or in his possession, and in the recovery thereof and in the apprehension of the thief or thieves, or in the prevention of the larceny of such animals or of horses, wagons, sleighs, harnesses and robes, which shall not be more than *five hundred dollars in any one case*.⁶ Every corporation may issue more than one policy in the case of fire insurance to one person, firm or corporation having separate or detached buildings, which it is not prohibited from insuring by this article or its by-laws. Every policy issued shall have printed thereon a copy of the by-laws and regulations of the corporation. *Every corporation transacting the business of town and county co-operative insurance as provided for by this article, is hereby exempted from the provisions of section one hundred and twenty-one of this chapter.*²

L. 1879, ch. 287.

L. 1880, ch. 362; 397—maximum risk town \$3000; county \$5000.

L. 1881, ch. 171.

¹ L. 1882, ch. 282.

L. 1886, ch. 573.

² L. 1887, ch. 144.

³ L. 1892, ch. 690.

¹ L. 1893, ch. 687—reduced to \$4000.

¹ L. 1894, ch. 616—increased to \$7000.

⁴ L. 1894, ch. 616.

⁵ L. 1894, ch. 616—changed from “one” year.

⁶ L. 1895, ch. 585.

⁷ L. 1905, ch. 217.

§ 267. **Contract of members.**—Every person insured in and by such corporation shall give his undertaking in such form as the cor-

poration may prescribe, to pay his pro rata share to the corporation of all losses or damages sustained by any member thereof from any cause specified in the policy, which undertaking shall be filed by the secretary in the office of the corporation. He shall also pay such reasonable sum for policies and expenses, and within such time as may be required by the by-laws. Every policyholder sustaining a loss or damage from any cause specified in the policy shall immediately notify the president or secretary of the corporation of such loss or damage, and the officers of the corporation shall at once proceed to ascertain and adjust such loss or damage in the manner provided by the charter and by-laws and the provisions of this article.

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1881, ch. 171.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 268. **Classification of risks; borrowing money; assessments.**—Every such corporation may, if a fire insurance corporation, classify the property or buildings insured therein at the time of insurance and issue policies under different rates according to the risk from fire, to which they may be subject. In the case of any corporation formed under this article or any act repealed by this chapter for the formation of town or county co-operative insurance corporation, if the amount of any loss or damage ascertained exceeds in amount the cash on hand of the corporation, such of its officers as may be authorized by the by-laws to do so, shall convene the directors or executive committee, who may borrow money on the credit of the corporation sufficient to pay the loss, or make an assessment upon all the property insured, pro rata, according to the classification or according to the amount insured, as may be provided in the by-laws, sufficient to pay what the cash in hand falls short of paying, or for the whole loss or damages, as the directors or executive committee may decide to be for the best interests of the corporation. *If the directors or executive committee deem it to be for the interest of the corporation, they may make an estimate of such sums as in their judgment will be necessary to pay all losses, damages and expenses for the current year and supply any deficiency in the preceding year, and proceed to assess, levy and collect the same of the members of the corporation, at such times as in their discretion will be most advantageous to the corporation. Such assessment shall be made pro rata upon all the property at such time insured, according to its classification or according to the amount insured, sufficient to pay the amount so estimated.*¹ Not more than four³ such general assessments shall

be made in any one year, nor shall any such assessment be made if more than ten per centum of any previous assessment shall be in the treasury of the corporation and not required for losses actually suffered.² No assessment shall be invalid because made in whole or in part for the purpose of paying any money borrowed by the directors or executive committee, which has been used in the payment of any claim for loss or damage against the corporation.¹

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1881, ch. 171.

¹ L. 1885, ch. 334 — general assessments limited to one a year.

L. 1885, ch. 416.

L. 1886, ch. 573.

² L. 1892, ch. 690.

³ L. 1897, ch. 29 — changed from "one."

§ 269. **Notice of assessments.**— The secretary shall within thirty days after the assessment has been made, notify every member of the corporation by written or printed notice signed by him, that an assessment has been made and the amount due from him as his share of the loss or damage, or his share of the general assessment for the current year as determined by the directors or executive committee, and the time when, and to whom, such amount must be paid. *Such time shall not be less than thirty days nor more than sixty days from the service of the notice, which may be served personally or by mail, and if by mail, service shall be deemed complete when deposited in the post-office at the place where the principal office of the corporation is located, directed to each member at his place of residence or business and postage prepaid.*¹ The expense and cost of collection of the assessment shall be regulated by the by-laws.

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1881, ch. 171.

¹ L. 1885, ch. 334.

L. 1886, ch. 573.

L. 1890, ch. 402.

L. 1892, ch. 690.

§ 270. **Collection of unpaid assessments.**—¹An action may be brought by the corporation against any member thereof to recover all assessments which he may neglect or refuse to pay made upon him under the provisions of this article or the by-laws of the corporation. If the corporation is compelled to bring any such action in order to collect any such assessment, it may recover the amount so assessed with fifty per centum thereof to be added thereto in addition to lawful interest, as a penalty for such neglect and refusal to pay within the time required. Any member who neglects

or refuses to pay his assessment, may for such reason, or for any other reason satisfactory to the directors or executive committee, be excluded by a majority of the directors or executive committee as the by-laws may prescribe, from the corporation, and when thus excluded, the secretary shall cancel or withdraw his policy or policies which shall prevent him recovering for any loss or damage sustained after such exclusion. Such member shall remain liable for the payment of any assessment made prior to his exclusion and for the penalty above provided in case an action has been or shall be brought against him therefor. The officers of every such corporation shall proceed to collect all assessments within thirty days after the expiration of the notice to pay the same, and neglect or refusal on their part to endeavor to collect such assessments or to perform any of the duties imposed by this article, shall render them liable individually for the amount lost to any person who loses by their neglect or refusal, and an action may be maintained by such person against such officers to collect such amount. *If any member of the corporation shall be excluded therefrom as herein provided and the policy issued to him canceled, the secretary shall forthwith enter such cancellation and the date thereof on the record of policies kept in the office of the corporation and serve notice of such cancellation on the member so excluded either personally or by mail; and if by mail the postage thereon shall be prepaid, and it shall be directed to such member at his post-office address named in his application for insurance, and from and after personal service of such notice, or five days after mailing such notice as herein required, such policy shall be canceled and all liability of the corporation by virtue thereof shall cease and determine; but the owner of the policy shall be entitled to the repayment of an equitable portion of all unearned money to which he has contributed.*¹

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1881, ch. 171.

¹ L. 1884, ch. 132.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 271. **Restrictions of insurance.**—No corporation formed for the purpose specified in subdivision one of section two hundred and sixty-one shall insure any buildings or property out of the limits of the territory comprised in its certificate of incorporation, or the territory to which its business may be extended under the provisions of this article, except that when a member of a corporation, who has a farm extending beyond the line of such limits, has buildings or property on that part beyond such line, he may insure such buildings and their contents with his other buildings. *No com*

*pany now or hereafter organized under this article shall insure any building or property within the limits of a city containing at the time of the incorporation of such company more than six hundred thousand inhabitants.*¹

L. 1879, ch. 287.

L. 1880, ch. 362; 397.

L. 1881, ch. 171.

L. 1882, ch. 282.

L. 1886, ch. 573.

L. 1892, ch. 690.

¹ L. 1893, ch. 687.

L. 1894, ch. 609.

L. 1905, ch. 217.

§ 272. **Annual election.**— The directors of every corporation formed under this article, or under any similar act repealed by this chapter, shall be chosen by ballot at the annual meeting of the corporation, which shall be held on the second Tuesday of January in each year unless some other day be designated by the by-laws of the corporation. At such meeting every person insured shall have one vote and shall be entitled to vote by proxy under such rules and regulations as may be prescribed by the by-laws, unless prohibited by such by-laws.

L. 1879, ch. 287.

L. 1880, ch. 362; 397.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 273. **Annual statement.**— The president and secretary of every such corporation shall make a statement under oath, showing the condition of the corporation on the thirty-first day of December of each year, which shall contain the amount and kind of property insured, the number of policies issued from the time of the organization of the corporation up to the time of making the statement, the number issued during the year last past, the amount of insurance accepted and amount withdrawn, expired and canceled during the year, the whole amount of insurance in force on December thirty-first, the amount of moneys received by the corporation during the year, the amount of disbursements, specifying the amount paid for fees, salaries and commissions, and all other matters of interest to the corporation or members thereof, which statement, or a certified copy thereof, shall be filed in the town clerk's office of the town where the office of the corporation is located, if a town insurance corporation, and in the clerk's office of each county comprised within the territorial limits of the corporation, if a county corporation, *and with the secretary of state,*¹ on or before the first day of February next following. *No such corpora-*

*tion shall be required to make any report or statement, nor perform any requirement not contained in this article or in the by-laws of the corporation.*²

L. 1879, ch. 287.

L. 1880, ch. 362.

¹ L. 1881, ch. 171.

² L. 1886, ch. 573.

L. 1892, ch. 690.

§ 274. **Withdrawal of members; new members.**— Any member of any such corporation may withdraw therefrom at any time by ten days' notice in writing to the secretary and paying his share of all claims existing against the corporation, and surrendering his policy or policies. Members may be admitted who reside or own property within the territorial limits of the corporation, upon the same terms and conditions as the original members, subject to the by-laws of the corporation. Nonresidents who own property which may be insured in any such corporation may become members for the purpose of having such property insured, and shall have all the rights and privileges of the corporation and be accountable as other members, but shall not be eligible to hold office in the corporation.

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 275. **Restrictions as to business.**— No corporation shall be formed under this article for the purpose of transacting the business of insurance not specified in either subdivision one or two of section two hundred and sixty-one, and no such corporation shall be formed for the purpose of transacting the business specified in both subdivisions or partly in both, and no such corporation shall insure against any losses except such as are specified in the subdivision under which it is incorporated for the purpose of making insurances.

L. 1879, ch. 287.

L. 1880, ch. 362.

L. 1886, ch. 573.

L. 1892, ch. 690.

§ 276. **By-Laws.**— Every such corporation may make and enforce such by-laws not inconsistent with law for its regulation as may be prescribed by a vote of two-thirds of its directors at any meeting thereof. Amendments may be made to such by-laws by a like vote of the directors at any regular meeting thereof, if presented to the president at least three months previous to the meeting. The by-laws may also provide for the number, kind and

compensation of its officers and the security to be given by any officer, and may designate the amount of money that may be kept on hand, the manner of disbursing the same, and make provisions for books of record of the transactions of the corporation.

- L. 1879, ch. 287.
- L. 1880, ch. 362.
- L. 1886, ch. 573.
- L. 1892, ch. 690.

§ 277. **Reorganization of existing corporations.**—Any corporation already doing a business of insurance upon the principles prescribed in this article may become organized hereunder and possess all its powers and be subject to the restrictions and regulations required herein upon filing a statement of its condition at the time containing the requirements of section two hundred and sixty-three, in the offices specified in such section. Thereafter such corporation shall be subject to the provisions of this article, and the policies theretofore issued by it shall be as valid, and the rights and powers of the officers and members shall be the same in all respects as if it had been originally organized under this article.

- L. 1879, ch. 287.
- L. 1880, ch. 302; 397.
- L. 1886, ch. 573.
- L. 1892, ch. 690.

§ 278. **Limitation of business; extension of territorial limits.**—Except as hereinafter provided no corporation formed under the provisions of this article, or any such corporation formed under any similar act repealed by this chapter, shall transact business in more than *five*¹ counties, which shall be designated in the certificate of incorporation. But any corporation organized and doing business under the provisions of any act repealed by this chapter, or which may be hereafter organized and do business under the provisions of this article, in one county, or two or more adjoining counties, may extend its business into any number of adjoining counties, not exceeding *five*² in all, by filing in the office of the clerk of such county or counties a duly certified copy of the certificate and statement filed in the office of the secretary of state under the provisions of section two hundred and sixty-three, and filing in the office of the secretary of state and of the county clerk of each county comprised in its territorial limits, a certificate signed by at least two-thirds of its directors, stating the counties in which such corporation proposes to do business; and upon filing such certificates and certified copies herein provided, *and also filing therewith a statement verified by its president and secretary of its outstanding insurance, showing that it has bona fide insur-*

*ance in force exceeding three hundred thousand dollars for each and all the counties in which it does and intends to do business,*⁵ any such corporation shall possess all the business and corporate powers, rights and privileges in the counties named in such certificate, not exceeding five, and be subject to the same liabilities as if originally organized under a certificate specifying the same counties as the territorial limits of such corporation. *Any corporation doing business in five counties may extend its business into as many adjoining counties (including such original counties)*⁵ *as shall not exceed one county for each one million dollars of its insured property in force at the time of any such extension,*³ *except that companies organized exclusively for the purpose of insuring cheese factories and creameries and their contents may extend to any number of counties, not exceeding one county for each full one hundred thousand dollars of insurance in force, otherwise, such extension or extensions shall be made in all respects in the manner herein provided.*⁴

L. 1879, ch. 287.

L. 1880, ch. 362 — limitation two counties.

L. 1881, ch. 171 — limitation three counties.

L. 1882, ch. 38.

L. 1886, ch. 573.

L. 1887, ch. 144.

L. 1890, ch. 402.

L. 1892, ch. 690.

¹ L. 1893, ch. 687 — changed from "three."

² L. 1896, ch. 907 — changed from "three."

³ L. 1896, ch. 907.

⁴ L. 1898, ch. 654.

⁵ L. 1905, ch. 217.

§ 279. Existing town corporation may extend itself to entire county.— Any such corporation already organized as a town corporation and doing a business of insurance upon the principles prescribed in this article in one or more towns in any county, may extend its business to the entire county, by filing in the office of the clerk of such county a duly certified copy of the certificate and statement filed in the office of the secretary of state under the provisions of section two hundred and sixty-three of this article, and also filing in the office of the secretary of state a certificate signed by at least two-thirds of the directors of the corporation, stating the county in which such corporation intends to do business, and the name of such corporation which shall include the name of such county; and upon filing such certificate and certified copies as herein provided, any such corporation shall possess all the business and corporate powers, rights and privileges in the county named in the certificate and be subject to the same liabilities as if originally organized under a certificate specifying such county as its

territorial limits. Policies theretofore issued by any such town corporation shall be deemed to have been issued by such corporation as reorganized, and shall be valid and enforced in the same manner in all respects as if they had been originally issued by such town corporation, and the board of directors of such town corporation in office at the time of the reorganization of such corporation as herein provided, shall be directors of such corporation until the second Tuesday of January next after such reorganization, at which time a new board of directors shall be chosen as provided in this article.

L. 1887, ch. 610.

L. 1892, ch. 690.

§ 280. **Extension of corporate existence.**— Any corporation or association formed under chapter two hundred and eighty-seven of the laws of eighteen hundred and seventy-nine, and the acts amendatory thereof, or under the provisions of this article, at any time within three years before the expiration thereof may extend the term of its existence beyond the time specified in its original certificate of incorporation, or in any certificate of extension, or by-law, by the consent of two-thirds of its directors, in and by a certificate signed and acknowledged by them and filed in the offices in which the original certificates of its incorporation were filed, if at all, and, if not, then in the offices where certificates of incorporation are now required by law to be filed, which certificate shall be executed pursuant to a resolution passed by a majority vote of the members of such association or corporation present at any annual or special meeting thereof duly called, notice of the purpose of which meeting shall be duly given, and such resolution shall state the term for which extension shall be made. A copy of such resolution verified by the affidavit of the president or secretary of such association or corporation, and stating that the same has been duly passed, as aforesaid, shall be filed at the same time, and at the same place and places as said certificate, and the officers with whom such certificate and affidavit may be filed shall thereupon make a memorandum of such filing in the margin of the original certificate in such book, if any, and thereupon the time of existence of such association or corporation shall be extended as designated in such certificate for a term not exceeding the time for which it was incorporated in the first instance.

L. 1901, ch. 142.

L. 1904, ch. 551.

ARTICLE X*

TOWN INSURANCE COMPANIES ORGANIZED AND EXISTING UNDER
AND PURSUANT TO LAWS 1857, CHAPTER 739.

§ 330. **Article limited to town insurance companies organized under L. 1857, Ch. 739.**— This article relates exclusively to town insurance corporations organized and existing under and pursuant to the provisions of laws eighteen hundred and fifty-seven, chapter seven hundred and thirty-nine, entitled "An act to authorize the formation of town insurance companies," passed April seventeenth, eighteen hundred and fifty-seven, and the acts amendatory thereof and supplemental thereto. Nothing herein contained however shall be held or construed to revise said act, or to authorize the formation of other companies under what were the provisions thereof before the same was repealed by laws eighteen hundred and sixty-two, chapter three hundred and forty-seven.

New.

§ 331. **General powers and duties.**— A town insurance corporation organized and existing under and pursuant to the provisions of the act mentioned in section three hundred and thirty shall possess the usual powers, and be subject to the usual duties of corporations.

L. 1857, ch. 739.

L. 1858, ch. 285.

§ 332. **Directors and officers.**— Any town insurance company organized and carrying on business pursuant to the provisions of the act mentioned in section three hundred and thirty, and chapter one hundred and forty-six of the laws of nineteen hundred and four, is hereby authorized to choose of their number not less than five or more than nine directors to manage the affairs of such company. Such directors shall be elected annually and hold office for one year, or such directors may be divided into classes and a portion only elected each year, and hold their office for such term not exceeding three years, as said company shall determine in its by-laws. Such directors shall choose one of their number president and one secretary and shall hold office until their successors are chosen.

L. 1886, ch. 566.

§ 333. **Directors to keep records.**— The directors of such company shall keep a record of their proceedings in a book to be kept

[* Repealed by ch. 328 of 1910. In effect July 1, 1910. See new Article IX, superceding former Article IX and X, page 17 of this volume.]

for that purpose, together with the names of all persons insured, and the amount each person is insured, which record shall be open for the inspection of all the members of such company, from nine o'clock in the forenoon, to four o'clock in the afternoon, of each secular day, the established holidays excepted.

L. 1857, ch. 739.

§ 334. **May issue policies against fire or lightning.**—The directors of such company may issue policies, signed by their president and secretary, agreeing in the name of such company to pay all damages which may be sustained by fire or lightning for a term not exceeding five years, by the holders of such policies, not exceeding the sum named in such policy and which shall not exceed the sum of seven thousand dollars in any one risk.

L. 1857, ch. 739.

L. 1874, ch. 560.

L. 1897, ch. 448.

§ 335. **Policyholders to give undertaking.**—Every person so insured shall give his undertaking bearing even date with the policy so issued to him, binding himself, his heirs and assigns, to pay his pro rata share to the company of all losses by fire which may be sustained by any member thereof; and every such undertaking shall within thirty days after the execution thereof, be filed by the secretary of such company in the office of the clerk of the town in which the office of said company is located, and shall remain permanently on file in such office, except when required to be produced in court as evidence. He shall also at the time of effecting insurance pay such percentage in cash, and such reasonable sum for a policy as may be required by the rules or by-laws of the company.

L. 1857, ch. 739.

L. 1860, ch. 153.

§ 336. **Procedure in case of loss.**—Every member of such company, holding a policy not expired or vitiated, who may sustain loss thereunder, shall immediately notify the president, or in his absence the secretary thereof, who shall forthwith convene the directors of such company, whose duty it shall be when so convened to appoint a committee of not less than three nor more than five members of such company, to ascertain the amount of such loss, which, if agreed to by the loser and directors, shall be paid to the said loser as in this article provided. But in case of the inability or failure of the said parties to so agree, or in case the said directors for any cause shall dispute the liability of said company, the said loser or claimant, upon ten days' notice thereof to

the president of such company, may appeal to the county judge of the county in which the office of said company is located, and said county judge shall appoint three disinterested persons as referees, who shall have full authority to issue subpoenas, administer oaths to witnesses, examine them under oath, and to fully investigate and determine all matters in dispute. Said referees, or any two of them, in case they can not all agree, shall make their decision in writing to the president of such company, or in his absence the secretary thereof, within sixty days after their appointment, unless upon good cause shown the time has been extended by the county judge making such appointment or his successor in office, which decision shall be final. The said referees shall each be allowed the sum of three dollars per day for every day's service so rendered, and the witnesses the same fees allowed by law to witnesses in the supreme court, which expenses shall be paid by the claimant unless the decision of said referees shall be more favorable to him than the amount which the said directors were willing to allow him, in which case they shall be paid by the company.

L. 1857, ch. 739.

L. 1878, ch. 412.

§ 337. May classify risks, fix rates and make assessments.—The companies formed under the provisions of the act mentioned in section three hundred and thirty may classify the property insured therein at the time of issuing policies thereon under different rates, corresponding as nearly as may be to the greater or less risk from fire and loss, which may attach to each several building insured. Whenever the amount of any loss shall have been ascertained, which exceeds in amount the cash funds of the company, the president shall convene the directors of said company, who shall make an assessment upon all the property insured to the amount for which each several piece of property is insured, taken in connection with the rate of premium under which it may have been classified.

L. 1857, ch. 739.

§ 338. May notify policyholders of losses.—It shall be the duty of the president, whenever such assessment shall have been completed, to immediately notify every person composing such company, by letter, sent to his usual post-office address, of the amount of such loss, and the sum due from him as his share thereof, and of the time when and to whom such payment is to be made; but such time shall not be less than sixty nor more than ninety days from the date of such notice, and every person designated to receive

such money may demand and receive two per centum in addition to the amount due on each assessment as aforesaid, for his fees in receiving and paying such money.

L. 1857, ch. 739, § 8.

§ 339. **Actions to be brought against policyholders.**—Suits at law may be brought against any member of such company who shall neglect or refuse to pay any assessment made upon them by the provisions of this article, and the directors of any company so formed who shall wilfully refuse or neglect to perform the duties imposed upon them by the foregoing sections of this article, shall be liable in their individual capacity to the person sustaining such loss.

L. 1857, ch. 739, § 9.

§ 340. **Location and character of insurance limited.**—No company formed under the act mentioned in section three hundred and thirty shall insure any property out of the limits of the town in which the office of the company is located; nor shall it insure any property other than detached dwellings and their contents, and farm buildings and their contents; nor shall it insure any property within the limits of any incorporated city of this state. *But the Claverack fire insurance company may insure, in addition to such property and at a rate to be fixed by the directors of said company, property of the nature following, within the town of Claverack, in the county of Columbia, to wit: hotels, stores, restaurants, saloons, blacksmith, carpenter, wagonmaker, paint, trimmers, harnessmaker, shoemaker and tinsmith shops, with their appurtenances and contents.*¹

L. 1857, ch. 739.

L. 1858, ch. 285.

L. 1872, ch. 235.

¹ L. 1873, ch. 867.

§ 341. **Members may withdraw.**—Any member of such company, with the consent of the majority of parties insured, may withdraw therefrom, at any time, by giving notice in writing to the president, or in his absence, to the secretary thereof, and paying his share of all claims then existing against said company; except that no such withdrawal shall be allowed, as to any insurance on property which shall have been damaged or destroyed by fire, and on which the company shall have paid to the insured damages for the loss sustained; but in such case and to the extent of such insurance, the insured shall remain a member of the company and be liable to be assessed for its losses or expenses on the amount so insured, during the term of such insurance. And the directors, or

a majority of them, shall have power, subject however, to the foregoing exceptions, to annul any policy, by giving notice in writing to that effect to the holder thereof.

L. 1857, ch. 739.

L. 1861, ch. 80.

§ 342. **Nonresidents as members.**—Nonresidents of any town in this state owning property therein, may become members of any company formed under the act mentioned in section three hundred and thirty, and shall be entitled to all rights and privileges appertaining thereto, except that it shall not be lawful for any such non-resident to become a director in said company, unless he be at the time of such membership a resident of a town adjoining the town in which said company has been formed under the provisions of said act.

L. 1857, ch. 739.

§ 343. **May adopt by-laws and regulations.**—The company so formed may adopt such by-laws for its regulation as are not inconsistent with the provisions of this article and may therein prescribe the compensation of its officers.

L. 1857, ch. 739.

§ 344. **Directors how and when elected; secretary to report.**—The directors of any company or organization formed under the act mentioned in section three hundred and thirty, shall be chosen by ballot at the annual meeting thereof, which shall be held on the second Tuesday in January in each year, and every person insured shall have one vote for each two hundred and fifty dollars for which he may be insured, but no person shall be allowed to vote by proxy at such election. It shall be the duty of the secretary of every company as aforesaid, to prepare a statement showing the condition of such company on the day preceding its annual meeting, which statement shall contain the amount of property insured, the number of policies issued and to whom, and the amount insured by each policy, and all other matters pertaining to the interests of such company, which statement shall be filed in the office of the town clerk of the town in which such company may be located, on or before the twenty-fifth day of January in each year, and which statement shall also be read to the members of said company at its annual meeting.

L. 1866, ch. 828.

§ 345. **Time of existence of companies extended.**—The time for the continuance of any town insurance company organized under

or subject to the provisions of the act mentioned in section three hundred and thirty, as amended, and which has since its incorporation continued to do business and is now doing business under the provisions of such act as amended, is hereby extended twenty-five years from the nineteenth day of May, nineteen hundred and six; and the action of any such company in issuing policies for terms extending beyond May nineteenth, nineteen hundred and six, is hereby legalized and confirmed.

L. 1904, ch. 146.

§ 346. **Manner of extension of corporate existence.**—Any corporation formed under the provisions of the act mentioned in section three hundred and thirty, at any time within three years before the expiration thereof may extend the term of its existence beyond the time specified in its original certificate of incorporation, or in the certificate of extension, or by-law, in the manner prescribed in section two hundred and eighty of this chapter for town and county co-operative insurance corporations.

L. 1892, ch. 690.

L. 1901, ch. 142.

L. 1904, ch. 551.

APPENDIX C

The important opinions of the Attorneys-General in answer to questions submitted by the Insurance Department, the Secretary of State and individuals are here given in full. It is not thought necessary to include the letters containing such questions.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *January 4, 1893.*

HON. FRANK RICE, *Secretary of State.*

Dear Sir: I have the honor to acknowledge the receipt of your communication relating to the Manufacturers' and Traders' Co-operative Fire Insurance Company of New York and Kings counties, organized under chapter 573 of the Laws of 1886. Also inclosing a policy of insurance issued to Mr. Josef Lefkowitz, 175 Clinton street, New York city, issued to him by said company upon his stock of goods and store fixtures contained in the building situated at said number.

The question submitted is whether, in my opinion, such policy conforms to the statute relating to town and county co-operative insurance corporations.

In reply, permit me to say that, in my opinion, said company has no right to issue policies of the character of the one inclosed.

Under sections 269 and 271, this class of corporations has not the legal right to insure any property in cities or villages, except detached property, and under section 267, in my opinion, a member of said company could not be compelled to contribute toward paying a loss under a policy in the form of the one inclosed.

Very truly yours,

S. W. ROSENDALE,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, August 21, 1893.

HON. JAMES F. PIERCE, *Superintendent of Insurance.*

Dear Sir: I have the honor to acknowledge the receipt of yours of the 27th ultimo, in which you ask whether, in my opinion "Assessment Live Stock Insurance Corporations, organized under the provisions of article 8, chapter 690, Laws of 1892, can legally insure the lives of domestic animals against the hazard of fire insurance."

In reply I beg to say: Under section 250 of said act, "nine or more persons may become a corporation for the purposes of insuring the lives of domestic animals upon the co-operative and assessment plan." Under section 110, thirteen or more persons may become a "corporation for the purpose of making insurance * * * against loss or damage by fire, lightning, etc."

Under section 261, twenty-five or more persons may form a co-operative fire insurance company for the purpose of "insuring against loss by fire and lightning."

I am of the opinion that only those companies which are lawfully organized to insure against loss by fire can insure domestic animals against such hazards. That the insurance provided for in article 8 is against such losses as are incident to domestic animals and the use thereof other than loss by fire.

Very truly yours,

S. W. ROSENDALE,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *March 3, 1903.*Mr. C. B. Root, *Herkimer, N. Y.*

Dear Sir: Replying to your favors of recent date in the matter of the proper construction of section 271 of the Insurance Law, I beg leave to say that it is a general rule of this Department to give out no opinions upon the Insurance Law, except at the request of the Superintendent of Insurance.

Inasmuch, however, as town and county co-operative insurance corporations are not subject to the supervision of the Superintendent of Insurance, the reason for the rule seems to be lacking in the case submitted by you, and I therefore give you at first hand my views upon the question.

I do not see any contradiction between the provisions of section 266 and section 271 of the Insurance Law. Both sections seem to limit the power of a co-operative insurance company to insure dwelling-houses, barns and their contents and live stock owned on such property, with "other property not more hazardous," together with certain other specified classes of property. None of the additional classes of property specified in either section includes mercantile or manufacturing risks.

The question whether such an insurance company can insure manufacturing risks, therefore, seems to be limited to the question whether such risks come within the description of "other property not more hazardous" than dwelling-houses, barns and their contents.

It is quite likely that both mercantile and manufacturing risks would be held to be more hazardous than dwelling-houses and barns as matter of law, but if not so held as matter of law, I think it quite clear that by the common judgment of mankind, and particularly by the universal judgment of the insurance world, such risks would be held to be more hazardous than dwelling-houses and barns as matter of fact.

If it be admitted or found as matter of law or established as matter of fact that mercantile and manufacturing risks are more hazardous than dwelling-houses and barns, co-operative insurance companies are clearly forbidden by statute to insure them.

Very truly yours,

JOHN CUNNEEN,

Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *March 9, 1903.*Mr. E. E. BOHACHEK, 908 *Wilder Building, Rochester, N. Y.*

My Dear Sir: Replying to your letter of the 5th inst. as to the powers of the Church Insurance Association of Rochester, "organized under the special act of April 6, 1903, chapter 134," I beg leave to say that your reference to the date of the passage of the act in question was a trifle misleading. The record for April 6, 1903, not having yet been made up, I looked in the Laws of 1893, 1901, 1902 and other places and finally found the statute to be chapter 134 of the Laws of 1891.

The intent of the statute seems to be to limit the powers of the association to issue insurance to its own members. Section 1 incorporates the association "for the purpose of co-operate insurance," and further provides for application by a society or a pastor containing an agreement to pay his or its *pro rata* share of all losses or damage caused by fire or lightning to any of the property "insured therein by any member or members thereof," and still further that "such application, if accepted, shall be accompanied by the payment of such membership fee as said by-laws shall require," and that upon the acceptance of such application "the applicant shall thereupon be and become a member thereof."

Section 7 seems to limit the insurance that may be issued by the association "to churches, parsonages and their contents * * * belonging to the several religious societies and to the pastors included in said Association."

A further provision in the same section seems to carry out the same idea.

From such an examination as I have been able to give the statute, I am of the opinion that the Church Insurance Association of Rochester could not lawfully issue insurance to any person, society or corporation not a member of the association, and could, therefore, not lawfully accept reinsurance from the Monroe County Co-operative Fire Insurance Company.

Very truly yours,

GEO. F. SLOCUM,
Deputy Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *April 14, 1905.*

W. F. KEATING, Esq., *Victor, N. Y.*

Dear Sir: The Secretary of State has referred to this office your inquiry in reference to the liability of members of town and county co-operative insurance companies and the power to make a contract for a term of years at a fixed rate.

Under section 267 of the Insurance Law each member is liable for his *pro rata* share of the losses, damages and expenses.

Section 268 provides for a classification of risks and the establishment of a rate on the different classifications.

I do not understand that a town and county co-operative company can limit the responsibility of its members to any fixed amount.

If you have any complaint to make as to the conduct of the insurance company referred to, it should be placed in the form of a sworn statement, setting forth all the facts, and your authority for the same, and it will be considered by this office, after giving the company interested an opportunity to be heard in reply thereto.

Yours respectfully,

JULIUS M. MAYER,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *March 12, 1906.*

Mr. E. W. BERGE, *Secretary. Etc., Canandaigua, N. Y.*

Dear Sir: Replying to your favor of the 10th inst., would say that section 278 of the Insurance Law, or such portion thereof as I quote you hereafter, governs the extension of business of town and county co-operative insurance companies, to wit:

"But any corporation organized and doing business under the provisions of any act repealed by this chapter, or which may be hereafter organized and do business under the provisions of this article, in one county, or two or more adjoining counties, may extend its business into any number of adjoining counties, not exceeding five in all, by filing in the office of the clerk of such county or counties a duly certified copy of the certificate and

statement filed in the office of the secretary of state under the provisions of section two hundred and sixty-three, and filing in the office of the secretary of state and of the county clerk of each county comprised in its territorial limits, a certificate signed by at least two-thirds of its directors, stating the counties in which such corporation proposes to do business; and upon filing such certificates and certified copies herein provided, and also filing therewith a statement verified by its president and secretary of its outstanding insurance, showing that it has bona fide insurance in force exceeding three hundred thousand dollars for each and all the counties in which it does and intends to do business, any such corporation shall possess all the business and corporate powers, rights and privileges in the counties named in such certificate, not exceeding five, and to be subject to the same liabilities as if originally organized under a certificate specifying the same counties as the territorial limits of such corporation."

In order to legally extend their business these provisions should be complied with.

Very truly yours,

JAS. G. GRAHAM,
Deputy Attorney-General in Charge.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *January 22, 1908.*

Mr. J. F. H. HUCHINS, *Holley, N. Y.*

Dear Sir: Replying to your request of the 20th inst. for advice as to whether a person becoming a member of a co-operative fire insurance company and who pays an advance cash premium, so-called, becomes liable for losses sustained by the company.

I advise you that a member does become liable for losses, regardless of the fact that he has paid in advance a so-called "cash premium." In the case you mention the advance premium would go in reduction of the amount for which the member would be liable, but he would remain liable for his proportionate share of any deficiency which the cash on hand would not be adequate to meet.

Find inclosed the correspondence you forwarded.

Yours truly,

WILLIAM S. JACKSON,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *February 17, 1908.*

E. E. BOHACKEK, *Sec'y.*, 901 Wilder Bldg., Rochester, N. Y.

Dear Sir: Replying to your inquiry of the 7th inst., as I understand you, you first desire to know whether co-operative fire insurance companies are authorized to reinsure the risks of other co-operative companies. In reply I will say that in my opinion they do not have that power.

You further ask as to a sample blank which you inclose, but precisely the question which you desire answered concerning the same, I am unable to spell out. After reading the sample blank referred to I am also unable to fathom the purpose of the mind which formulated the blank. I would advise that it would be for the interest of co-operative fire companies to have their by-laws, policies and applications prepared by a competent attorney.

Yours truly,

WILLIAM S. JACKSON,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *June 24, 1908.*

W. S. BEVANS, Esq., *Port Jervis, N. Y.*

Dear Sir: Your letter of the 20th ult., inclosing copy of a fire insurance policy, issued by the Co-operative Fire Insurance Company of Orange County to J. B. Hamilton, was duly received.

There is no provision in article 9 of the Insurance Law relating to co-operative fire insurance corporations prohibiting such a corporation from using the so-called standard form of fire insurance policy. Section 266 exempts such corporations from the provisions of section 121 of that statute, which last named section provides that only the standard form of fire insurance policy shall be used by an ordinary fire insurance corporation. Accordingly, a co-operative corporation is not required to use a standard form, but I find no provision preventing its use.

I return herewith the policy submitted.

Yours truly,

WILLIAM S. JACKSON,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *February 18, 1909.*AUBURN IRON Co., *Auburn, N. Y.*

Gentlemen: I beg to acknowledge receipt of your favor of the 6th inst., with reference to policies of insurance issued by the Aetna Fire Insurance Association of Utica, Oneida county.

From the facts stated in your communication, I infer that the operations of this company are similar to those of various co-operative fire insurance companies against which the Attorney-General of the State has brought proceedings through Mr. George Fort Slocum of Rochester. In these cases, application has been made to the Attorney-General for authorization to prosecute an action in the nature of *quo warranto*, as provided by the Code of Civil Procedure, on the ground that certain groups of individuals have usurped the functions of a corporation. Examination of the Code will show that this power is discretionary in the Attorney-General, and the policy of this office is to make such authorization only upon petition setting forth the facts, upon which a hearing is granted. Of this hearing, due notice must be given to the parties against whom the action is contemplated in order that they may appear and be heard.

I do not consider it fair to pass upon the facts of the case or to say what action should be taken, until a petition has been presented in the above manner and a hearing had.

Yours very truly,

EDWARD R. O'MALLEY,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, *June 11, 1909.*

ARCHIBALD TAYLOR, Esq., 113 *West Main St., Middletown, N. Y.*

Dear Sir: Your letter of the 7th inst., received, in regard to section 278 of the Consolidated Insurance Law relating to limitations placed on town and county insurance corporations as to the number of counties in which they are restricted to conduct business, depending upon the amount of outstanding insurance.

In my opinion, the construction you place upon the statute is correct — that in order for such a corporation to operate in more

than five counties, it must have outstanding insurance in excess of five million dollars, an additional one million dollars insurance for each additional county in which business is transacted.

The statute would apply to all such corporations from the time it took effect.

Very truly yours,

EDWARD R. O'MALLEY,
Attorney-General.

STATE OF NEW YORK

ATTORNEY-GENERAL'S OFFICE,

ALBANY, July 20, 1909.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

Dear Sir: I have your letter of the 12th instant, in which you request my opinion as to whether the addition of section 63 to the Insurance Law by the last Legislature has conferred upon your Department the power to supervise insurance corporations organized under article 9 of the Insurance Law, known as town and county co-operative insurance companies.

I have given this matter careful attention, and in my opinion the same principles set forth in my opinion to you of June 15, 1909, in reference to Lloyds associations, apply here.

By section 57 these corporations organized under article 9 of the Insurance Law are excepted from the provisions of article 1 of the law, in the same way that Lloyds associations are excepted. But section 63, as I pointed out in my former opinion, is an amendment to article 1 in which section 57 is included, and specifically applies "to all domestic corporations, associations, societies and orders to which any article of this chapter is applicable, anything as to any such corporations, associations, societies or orders provided in this article to the contrary notwithstanding; and the words 'Corporation' or 'Corporations' herein shall also include all such associations, societies and orders."

It is my judgment that the language above quoted is sufficiently broad to include in the scope of section 63 town or county co-operative companies organized under article 9 of the Insurance Law, and that, therefore, your Department is vested with supervisory power over such companies to the extent of the provisions of this section.

Yours respectfully,

EDWARD R. O'MALLEY,
Attorney-General.

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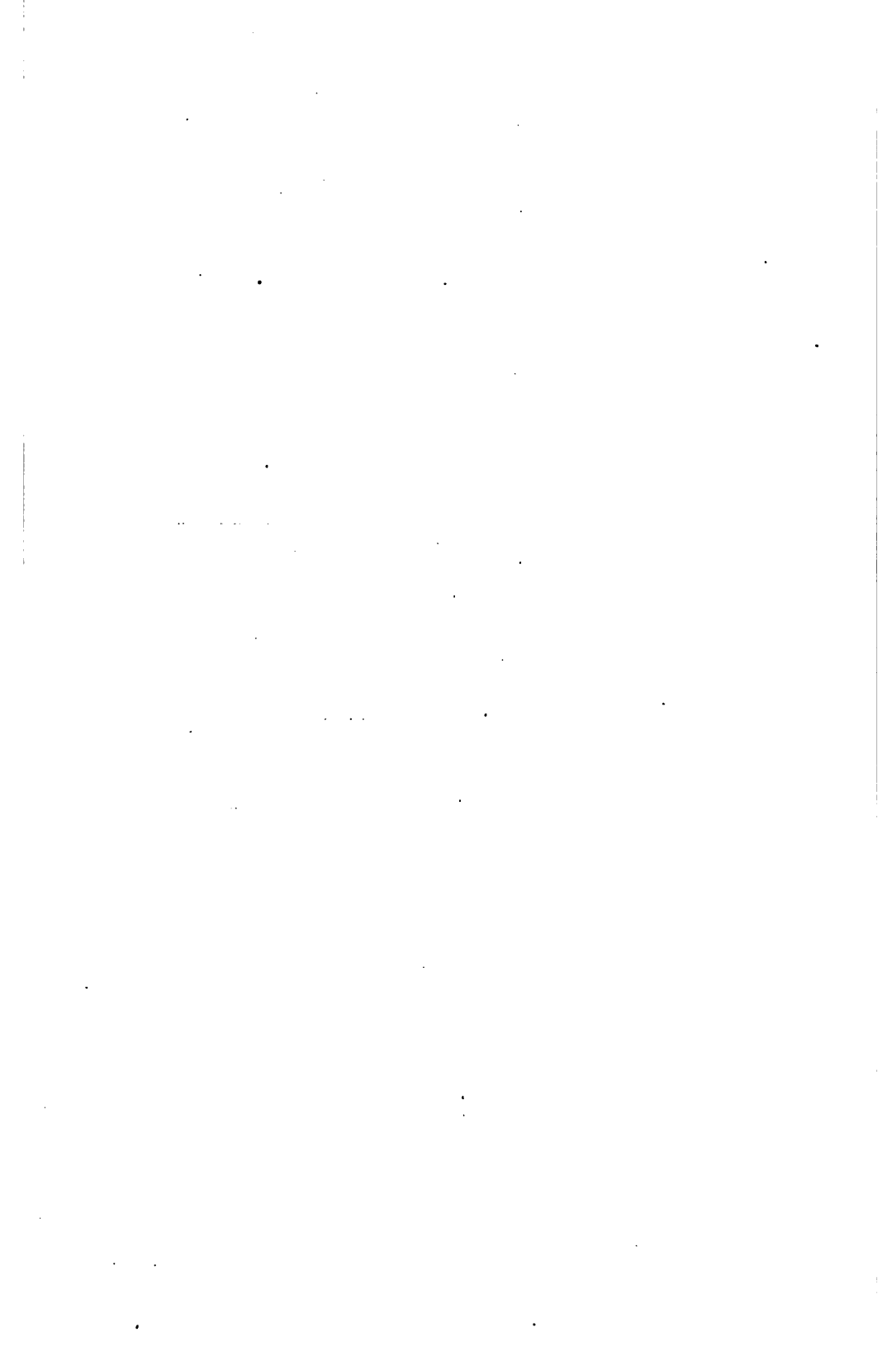
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REPORT

ON

INSURANCE SUPERVISION IN EUROPE

[1281]



Report on Insurance Supervision in Europe

Hon. WILLIAM H. HOTCHKISS, *Superintendent of Insurance, Albany, N. Y.*

Sir.— Our trip to Europe for the purpose of looking into the affairs of the Equitable, Mutual and Germania Life Insurance Companies furnished an opportunity to study the methods of the French, German and British insurance departments. We also took the opportunity to attend the conference of European insurance officials, which met in Luzern from September 13th to September 19th. Through Governor Hughes we were furnished with a letter of introduction from the department of state in Washington to the United States diplomatic officers in Europe.

FRANCE

On presenting our letter of introduction at the American embassy in Paris, we learned that it would take from three to four weeks to obtain a formal introduction to the French Insurance Department, as the request would have to go through the usual diplomatic channels. As our stay in Paris was limited to about ten days, we used a personal letter of introduction to Mr. Georges Paulet, the head of the department. Mr. Paulet was out of town during the time we were in Paris but we eventually obtained an interview with his assistant, Mr. Weber.

The French insurance department is a bureau in the department of the minister of labor and is located at 80 Rue de Varennes in a government building which was formerly a monastery.

The department is, at the present time, to a large extent in "the process of making." The present French law was enacted in March, 1905, and Mr. Paulet and his assistants are working towards the building up of a complete system of supervision rather than doing any active examining work at this time. The

work of the department is at present largely confined to receiving, auditing and scrutinizing carefully the very comprehensive annual statements the companies are required to file.

The forms of the annual statements are prescribed in detail in the regulations of the department, although the blanks are not supplied by the department, the companies having to purchase them from a printing firm. The companies are compelled to print copies of certain parts of their annual reports for general distribution, for which they are allowed to charge a small fee.

The insurance law of 1905 provides for an advisory council similar to the "Beirat" of Germany. It consists of twenty-one members; two senators and three deputies elected by their colleagues, the head of the insurance department, the head of the "Caisse des depots et consignations," a representative of the finance department, three members of the French institute of actuaries, the president of the chamber of commerce or a member of the chamber chosen by him, a professor of the Paris law school, two directors of mutual or tontine insurance companies, two directors of stock insurance companies and four persons specially qualified on life insurance matters. Mr. Weber, assistant to the head of the insurance department, is a member of the council as a member of the French institute of actuaries.

Under instructions from this council the department has constructed formulae and tables providing for minimum net and gross premium rates to be used by the companies. These are published in a volume entitled "Formules et Baremes des Primes ou Cotisations Minima des Operations d'Assurances sur la Vie," the rate of interest used throughout being $3\frac{1}{2}$ per cent.

The expenses of the insurance department are annually divided pro rata among the companies.

Many of the regulations under which insurance companies operate in France are rules laid down by the insurance department with the approval of the advisory council.

One of these rules provides that foreign life insurance companies must keep assets in France, invested in certain French securities approved by the insurance department, including real estate, to the extent of the mathematical reserve, the accumulations on deferred dividend policies and a special guaranty reserve. The

guaranty reserve is made up of $\frac{3}{10}$ per cent. of the premium income each year until the total is equal to 6 per cent. of the mathematical reserve; thereafter $\frac{15}{100}$ per cent. of the premium income each year until the total is equal to 10 per cent. of the mathematical reserve and nothing thereafter.

Another rule requires all companies to send to each deferred dividend policyholder a statement each year of the accumulation to date on his individual policy.

Pending an appeal to the legislative counsel, the Equitable Life Assurance Society of the United States has been allowed to continue writing new business without complying with these regulations.

The rules allow foreign companies to place their French policyholders in a separate dividend class.

GERMANY

On arriving in Berlin we presented our credentials to the American ambassador, who immediately requested through the proper channels permission for us to visit the department of the German government having the supervision of insurance companies and the department having charge of the government insurance scheme. At the end of about three weeks we were invited to visit the department of supervision but were informed that it was not convenient to have us visit the other department at that time.

The department having the supervision of insurance companies is called the "Kaiserliches Aufsichtsamt für Privatversicherung" and occupies a building erected for the purpose by the government at No. 10 Ludvigskirche strasse, Charlottenburg.

The chief function of the aufsichtsamt is the putting into effect of the imperial insurance law known as "Das Reichsgesetz über die privaten Versicherungs-Unternehmungen vom 12 Mai 1901." Previous to this enactment the business of insurance had been supervised, so far as any supervision existed, by the governments of the various states making up the German empire, the resulting supervision being conflicting and more or less inefficient. The new reichsgesetz is a very complete code, expressed however in the most general terms. Many matters of detail which in this

country would be covered by law are in Germany attended to through the various promulgations and rulings of the aufsichtsamt, thus securing a most desirable elasticity and opportunity for technical improvement without lessening the strictness of the supervision.

There are about one hundred and five employees in the insurance department, Dr. Gruner being the head with the title of president of the council. Next to him are five heads of departments, and under these twenty-five assistant heads. The officers and employees of the department are appointed for life.

The regular office hours for the employees are from 9 A. M. to 4 P. M., although the heads and assistant heads frequently remain at their homes to do any particular piece of work requiring concentration, with the idea that they will be less liable to interruption there than at the office. Dr. Gruner requires the heads and assistant heads of departments to be in their offices from 11 A. M. to 2 P. M. in order that during those hours he may confer with any of them immediately if he should desire to do so.

The usual vacation is six weeks, generally taken three weeks in the early summer and three weeks in the fall.

In addition to conferring with the heads and assistant heads of departments individually, Dr. Gruner frequently calls them all together to consider general matters, in which cases the meetings are held in the large council room and conducted in a somewhat formal manner.

It is the policy of the insurance department to have for heads and assistant heads of departments, as far as possible, men who have had several years practical experience in the employ of some insurance company engaged in the kind of business which will be under his immediate supervision. Even the ordinary employees are obtained from insurance companies wherever possible.

A good illustration of the practice of the department and the high class of men at the head of the various departments is furnished in the case of the head of the "Marine Liability and Reinsurance Department." Baron von Liebig, the head of this department, is a lawyer who, having passed the necessary civil service examination, is eligible for a judgeship and was for eight years the right hand man of the manager of the Munich Reinsurance Company.

In addition to the regular employees of the department, there is an advisory council called the "Beirat" consisting of forty-eight members, presided over by Dr. Gruner, whose official title as head of the insurance department is "President of the Beirat." The members of the "Beirat" are all selected by the Kaiser and, in addition to two members of the "Reichstag," comprise college professors, merchants, manufacturers, officers of insurance companies and other prominent men. The members receive no pay, except for special work involving a great deal of time and labor. The "Beirat" meets regularly once a year and oftener if necessary.

Most of the work of the council is done by committees, usually consisting of five members, each committee meeting being presided over by Dr. Gruner or the head of one of the departments. The different branches of insurance are divided among the various committees and there is a special committee which decides whether a company shall be licensed or not.

In addition to considering insurance matters generally, the "Beirat" and its committees consider any appeals by insurance companies from rulings of the department.

About one thousand companies report to the department, including life, fire, marine, casualty, credit, mutual fire, fraternal beneficiary and live stock insurance companies. Live stock insurance companies are rarely successful in Germany and then only when the business is confined to the locality where the company has its head office. The business of credit insurance is not very successful.

General and public liability insurance policies are written by insurance companies in Germany, but they do not transact employers' liability insurance business, this being covered by the government insurance and the trades unions, the employers contributing to the cost.

The unearned premium reserves for fire, marine and casualty companies for one year business are computed on the basis of forty per cent. of the gross premiums.

No rule is provided in the law or by the department for a loss reserve for casualty companies, a special life estimate being made for each outstanding claim.

The policies of the various life insurance companies are never valued by the department, neither is any basis of valuation provided in the law. The actuary of each company has to submit to the department a full explanation of the basis of valuation he wishes to adopt and, if it fails to meet with approval, he must adopt some other basis which will.

Although the supervisory and inspection powers of the department are practically unlimited, very little examining work is done compared with the amount done by the New York Department. The checking of the actual securities and mortgage loan papers is done in detail, but the other items of assets and liabilities are merely subjected to test checks. For example, the policy loan assets would be checked by calling for one here and another there and comparing the entries on the schedule. If a few taken at random were found correct, the whole schedule would be taken as correct. Similarly with the policy values. The actuary of the department would first study the basis adopted by the company's actuary and then check a few items here and there in the valuation sheets. For the outstanding losses of all kinds of companies the same system of test checks is used.

Reports on examinations and investigations are filed with the president of the "Beirat" and kept strictly confidential. If any methods are discovered of which the department disapproves, the companies are ordered to change them. Reference may be made to these methods in the next annual report of the department, no mention being made of the name of the companies involved. The attitude of the department seems to be that so long as a company is permitted to continue in business, nothing would be gained by publishing anything which would, by impairing public confidence, make it difficult and more expensive for the company to do business.

The department seems to rely mostly on careful and thorough examination and checking of the reports filed by the companies, the work being divided among the various departments. For example, Dr. Meyer, the actuary, supervises five life insurance companies and makes up the statistics which appear in the annual report of the department. He has five subordinates who check the reports of the five companies and twenty to do the statistical

work. The report of a particular company is read, checked and re-checked, compared carefully with reports of the same company for previous years and with the reports of other companies of similar standing.

The reports filed are merely signed and not sworn to, although any official guilty of misstatements would be punished by fine or imprisonment.

In Berlin the city itself insures all buildings and collects the premiums from the owners. The buildings are valued by appraisers regularly in the employ of the city and the owners are compelled to pay the premiums on that amount of insurance to the city. The Insurance Department considers that, as a rule, the real value of the buildings is slightly in excess of the value fixed by the city, which covers the buildings from and including the ground floor up, but nothing below the street level. The value of the land can be determined very closely from the value of the surrounding land, especially as a book is published each year in Berlin giving the value — derived from sales in the vicinity — of all land in Berlin by small subdivisions. The method adopted by the department in arriving at the value to allow a company on Berlin real estate is to add to the value of the land and buildings ascertained by the foregoing method the value obtained by capitalizing the net income on a 5 per cent. basis and divide the results by two.

The officials of the department familiarize themselves with real estate values in Berlin and its surroundings and are thus able to judge very closely whether the companies are carrying the real estate at a fair valuation, and unless the amount appears to be very much out of the way no special appraisal is made.

In addition to the annual report the department publishes a quarterly publicity document which takes the character of a conservative insurance magazine, articles on various insurance topics of interest to the public and the insurance world being contributed by the various officials of the department. Articles may be contributed pointing out new kinds of business which would be advantageous to the companies and the public; and openings for business in other countries would be pointed out. These documents are on sale at the store of the printer.

Specific complaints from policyholders will be investigated by the department and, if a company is found to be in the wrong, it will be ordered to put the matter right.

It would seem that the department has three aims, broadly speaking:

1. To see that the companies are conducted properly and are solvent.
2. To create and keep public confidence in the companies.
3. To foster and build up the business.

The expenses of examinations are not charged to the individual companies examined, but one-half of the total expenses of conducting the department is annually charged to all the companies in proportion to their premium income; the charge must not, however, exceed one-tenth of one per cent.

These impressions of the German Insurance Department would be very incomplete without some description of the home of the department. The building, all of which is occupied by the department, and grounds occupy a space equal to about two-thirds of an uptown block in New York City. It was completed about six years ago at a cost of approximately \$500,000, and consists of the ground floor and four upper stories. In addition to the offices of the department, it contains a suite of apartments which is the "official" residence of Dr. Gruner and the grounds, which occupy about half the property, constitute Dr. Gruner's "official" garden.

The room provided for the meetings of the "Beirat" is large and handsomely furnished and has a semi-circular table for the members to sit at. It is in this room that the meetings of the heads and assistant heads of departments are held. Next to it is Dr. Gruner's private office and next to that again a room, nearly as large as the council room, in which the president receives callers, holds conferences with his subordinates and keeps his library.

There are several good rooms for committee meetings, the one for the licensing committee being particularly well arranged. The committee is seated at a semi-circular table on a low platform, separated from the rest of the room by a balustrade. This not only prevents applicants and opponents and their counsel from crowding the committee but adds dignity to the proceedings.

Double doors lead from the platform to an adjoining room to which the committee retires in order to discuss the arguments which have been made.

There are plenty of comfortable private rooms for the heads of departments and, as in all modern office buildings in Berlin, every room has plenty of daylight and ventilation and the employees are not crowded.

Of minor interest in connection with this department is the fact that it has its own "official" horse and wagon to carry portfolios of papers to and from the homes of those wishing to work at home.

Of the insurance companies incorporated in Germany there were, at the end of 1907, 25 stock companies and 17 mutual companies transacting the business of life insurance, with assets in the life department amounting to about \$1,050,000,000 — the "ordinary" life insurance in force in these companies being about \$2,500,000,000 and the "industrial" life insurance about \$260,000,000.

The following table shows the different kinds of business transacted by the companies incorporated in Germany.

No. of companies.	Kind of business.	Premium income for 1907.
28	Accident	\$9,400,000 00
28	Liability	9,225,000 00
34	Cattle	2,800,000 00
17	Hail	9,460,000 00
52*	Fire	58,430,000 00
36	Burglary	2,360,000 00
2	Storm	31,800 00
16	Water	463,250 00
24	Plate glass	1,770,000 00
2	Fidelity and surety	125,000 00
1	Credit	122,000 00
3	Machinery	86,300 00
1	Construction	1,650 00
1	Valuables	765 00
35	Marine (cargo)	212,100 00

The Victoria Life Insurance Company of Berlin transacts the largest "industrial" business. At the end of 1907 it had "ordi-

* Of the fire companies thirty-two are stock companies with a premium income of \$49,320,000 and twenty are mutual companies with a premium income of \$9,110,000.

nary" insurance in force of about \$230,000,000 and "industrial" insurance of about \$150,000,000, the assets of the life department on that date being about \$160,000,000. This company has a large office building at 20 Lindenstrasse. The secretary of the company, Mr. Heinrich Stahl, and the actuary, Mr. Julius Wendt, took us through the offices and explained in considerable detail the workings of the various departments.

ENGLAND

The supervision of insurance companies in England is in the hands of the Board of Trade. Examiner Hughes called at the office of the board in Whitehall and presented a letter of introduction from the American embassy to the Hon. Winston Churchill, president of the board. In the absence of Mr. Churchill, his secretary introduced Mr. Hughes to the heads of the various departments having charge of insurance matters.

Until the passage of the new "Assurance Companies' Act, 1909" (9 Edw. 7, chap. 49) in December, 1909, the only insurance corporations required to file reports with the government were life companies, fraternal beneficiary societies and the "liability" departments of casualty companies, the last mentioned having been obliged to report only since the passage of "The Employers' Liability Insurance Companies Act, 1907."

The new act requires all insurance companies, bond investment companies and underwriters being members of Lloyds or any other association of underwriters, to make annual reports to the Board of Trade on forms prescribed in the act. These reports are to be made on the business for the "fiscal" year of each company and not for the "calendar" year.

There is no provision in the assurance companies' act for the valuation of the policies of life insurance companies by the Board of Trade; the companies' actuaries, however, are required to value them at least once in every five years and submit to the Board of Trade the results of such valuation on forms prescribed in the act and to state clearly the basis on which the valuation is made. Four copies of the statement must be filed within six months after the close of the period to which it relates and must be signed, not sworn to, by the chairman and two directors of the company and the principal officer, usually the managing director.

The act requires every assurance company to deposit with the paymaster-general for and on behalf of the Supreme Court the sum of twenty thousand pounds, and every underwriter of Lloyds or any other association to deposit the sum of two thousand pounds in such manner as the Board of Trade may direct.

The statements furnished to the Board of Trade are to be examined and the companies notified to correct any errors which may be discovered.

The value of a current fire and accident policy is to be "such portion of the last premium paid as is proportionate to the unexpired portion of the period in respect of which the premium was paid," which is the same as the rule laid down in the insurance law of this state.

There is no provision in the act for actual examination of insurance companies by the government and this has never been done. The companies, the public and the government appear to be satisfied to rely on audits of the accounts of the companies by "chartered accountants." It is exceedingly difficult for a man to become a chartered accountant. He must pay a premium to a firm of chartered accountants and work and study with it for years before he can pass the necessary examinations. Audits by chartered accountants are understood to be most thorough and impartial, and it is the general opinion of business men that a report of the financial condition of an insurance corporation certified to as correct by a chartered accountant is thoroughly reliable. Should it develop subsequently that the report was incorrect and the chartered accountant had either failed to discover the inaccuracies or had discovered them and failed to expose them the accountant would have his certificate taken from him and it would be illegal for him to practice as a "chartered" accountant in the future.

The Board of Trade publishes the reports of insurance companies in a volume, annually, which can be purchased by the public.

Sections 13 to 23 of the new act refer to the amalgamation, reinsurance and winding up of insurance companies. Section 23 provides that any assurance company which makes default in complying with the requirements of the act shall be liable to a penalty not exceeding one hundred pounds, or in case of a con-

tinuing default to a penalty not exceeding fifty pounds a day, and every director, manager or secretary or other officer or agent who is knowingly a party to such default shall be liable to a like penalty; and if the default continues for a period of three months after notice of default has been given, the default shall be a ground on which the Court may order the winding up of the company.

When two or more companies intend to amalgamate or transfer the business from one company to another, the proposed agreement must first be sanctioned by the Court. Before application is made to the Court, a notice of the intention must be published in the Gazette; and, in the case of life and bond investment companies, a statement of the nature of the amalgamation or transfer and an abstract containing the material facts embodied in the agreement must be transmitted to each policyholder and shareholder. In all cases the agreement or deed, under which the amalgamation or transfer is effected, must be open for the inspection of policyholders and shareholders at the offices of the companies for fifteen days after the publication of the notice in the Gazette.

Within ten days after the completion of the amalgamation or transfer, certified copies of all statements, agreements, deeds and reports having to do with the amalgamation or transfer must be filed with the Board of Trade. In addition, a declaration by the chairman and principal officers of each company must be filed stating that "to the best of their belief every payment made or to be made to any person whatsoever on account of the amalgamation or transfer is therein fully set forth, and that no other payments beyond those set forth have been made or are to be made either in money, policies, bonds, valuable securities or other property by or with the knowledge of any parties to the amalgamation or transfer."

Section 18 provides that in the case of an assurance company which has been proved unable to pay its debts, the Court may, if it thinks fit, reduce the amount of the contracts of the company upon such terms and subject to such conditions as the Court thinks just in place of making a winding-up order.

Fraternal beneficiary societies are under the supervision of the registrar of fraternal societies.

CONFERENCE AT LUZERN

The meetings of the conference, held in the council chamber of the historical Rathaus in Luzern, commenced on the morning of September 13, 1909, and closed on the evening of September 19.

The invitations were sent out by the German government. At the opening session Dr. Gruner, the head of the German department, and Dr. Moser, the head of the Swiss department, explained to the members of the conference that we were present as visitors by their invitation, although we could not participate in the proceedings.

The representatives attending the conference were as follows:

Austria	Mr. Blaschke.
Denmark	Mr. Steffensen.
France	Messrs. Paulet and Weber.
Germany	Messrs. Gruner, Jaup, Klehmet, Meyer and Pfaffenberger.
Hungary	Messrs. von Emich and von Procopius.
Italy	Messrs. Magaldi and Spreafico.
Sweden	Messrs. Laurin and Phragmen.
Switzerland	Messrs. Moser, Trefzer, Rosselet, Beguin and Jester.
New York.....	Messrs. Woodward and Hughes.

Messrs. Moser of Switzerland, Gruner of Germany and Paulet of France, presided in turn at the different meetings of the conference, and Messrs. Beguin and Jester of Switzerland acted as secretaries.

Mr. Phragmen of Sweden and Messrs. Trefzer and Rosselet of Switzerland were somewhat familiar with American insurance affairs, having attended the Fourth International Congress of Actuaries held in New York in 1903.

With the exception of ourselves, no outsiders or newspaper representatives were admitted, the proceedings being conducted in "executive session." On the last day of the conference a resolution was passed that none of the results of the deliberations should be communicated to the companies or the public until the printed report could be published.

The proceedings were conducted in French and German, although the representative from Denmark was anxious to have English used also as he is more familiar with that language.

Messrs. Rosselet and Trefzer translated the speeches from German into French and vice versa.

The conference at Luzern differed from the annual meeting of the convention of insurance commissioners of the United States in that the former was a meeting of representatives of various European Governments on the invitation of the German and Swiss Governments, there being no permanent organization. It will probably be some years before another conference is held, as the officials present were of the opinion that the annual statement blanks adopted should be given several years trial before any modifications are made. The conference did not discuss insurance supervision generally; it was called for the purpose of adopting forms of annual statements which could be used by all European Governments, and the discussion was strictly confined to that purpose. General matters were of course discussed informally, at times when the conference was not in session.

The proceedings were conducted rather formally, although there was the greatest freedom in the discussion, everyone present taking an active part.

The programme giving a sample of the proposed blanks and the arguments for and against the different items therein, was printed in French and German early in 1909 and sent to those invited to attend.

Through the courtesy of the Swiss Government, each delegate was provided with tickets entitling him to free transportation on the steamers for trips around the lake and half fare on the funicular railroads running to the tops of the various mountains in the immediate vicinity of Luzern and free admission to the casino and theatre. At the invitation of the government all the delegates made an excursion to the top of Mt. Rigi which included a most delightful banquet in the afternoon at the Kaltbad hotel.

We were impressed not only with the earnestness of the delegates present, but with the fact that they seemed to have a good knowledge of the business of insurance, particularly from a departmental point of view, and the interchange of ideas with the representatives of the insurance departments of so many different countries was both instructive and interesting.

ANNUAL STATEMENT BLANKS

In principle the annual statement blanks in use by European Insurance departments, including Great Britain and those adopted in Luzern, are similar, although they differ materially from those in use in the United States. Our statement of income and disbursements is practically on a "cash" basis, while the European statements are on a "revenue" basis, and the statement of assets is not divided into "ledger" and "non-ledger."

The "Compte de Profits et Pertes" which takes the place of our "income and disbursements," with the supplementary schedule giving the details of the administration expenses, shows the income and disbursements in about as much detail as ours. There are no schedules showing officers' salaries or payments for legal expenses in detail.

Schedules are called for showing the movement of the insurance, the policy reserve, the profit from mortality, the distribution of profits, the cost, book, market value, rental and expenses of real estate and other investments, and the details of the mortgage loans.

The schedule of insurance in force is divided into participating and non-participating and by kinds of insurance. The reinsurance accepted by the company has to be shown in a special column and the reinsurance effected in another. The number of policies, amount of insurance and the total gross annual premiums on each kind are also shown in this schedule.

One of the questions considered at some length by the conference was the manner of treating reinsurance in the income and disbursements and assets and liabilities. It was unanimously decided that premium receipts and commission payments and reserves should be carried "gross," the reinsurance figures to be carried on the other side of the account. Thus premiums paid to reinsuring companies are carried into disbursements and not deducted from income, and the reserve on policies reinsured is carried into assets and not deducted from liabilities. We discussed the decision with several of the delegates and they all held very decided opinions that this is the correct way to treat these items.

Although in some items of management expense we call for detailed schedules which are not required in Europe, generally

speaking the European statements require as much detail as we do and, with regard to the reinsurance and reserve, more detail. The details with regard to the movement of the reserve are more necessary than with us as the European departments do not value the policies of the companies, and the details given enable the departments to ascertain fairly closely whether the total reserve is approximately correct.

The Swiss department has been well equipped for the purposes of supervision for a longer period than any of the others, although the German department now is and the French department soon will be.

One point of superiority our department has over the European departments is the early publication of our annual reports. The German report, for example, showing the business of 1907 was not published until 1909. Some of this delay is due to the length of time, usually six months and sometimes longer given the companies in which to file their statements. The long time devoted to the careful auditing and comparison of the reports by the Swiss and German departments seem to us to be well repaid by the intimate knowledge so acquired of the condition of the companies.

The attitude of the delegates that no changes should be made in the main parts of the annual statement blanks adopted at the conference for several years appeals to us as being very well taken. It is not easy to make thorough audits and comparisons of companies' financial statements if material changes are made every year.

The system in France and Germany of having an advisory council to consult with the insurance department seems to work well in practice. If some such system were adopted here, the insurance interests would discuss among themselves the various questions which arise and their representatives on the council would express the views of all the companies, thus doing away with the frequent appearance before the superintendent of insurance of the officers of the individual companies to discuss rulings of the department and proposed changes in the law. This system also allows the insurance departments, with the consent of the advisory councils, to promulgate rules for the conduct of the business without having all the details prescribed in the law.

The heads of the French and German departments expressed their willingness to appraise any real estate in those countries owned by United States companies if you should desire such appraisals at any time.

In addition to visiting the insurance departments we visited the head offices of various insurance companies in Paris, Berlin and London. These visits were very instructive and in one of the French offices, La Nationale, the chief accountant allowed us to check the income and disbursements and assets and liabilities reported in his 1908 statement from the company's books.

Respectfully submitted,

CHARLES HUGHES

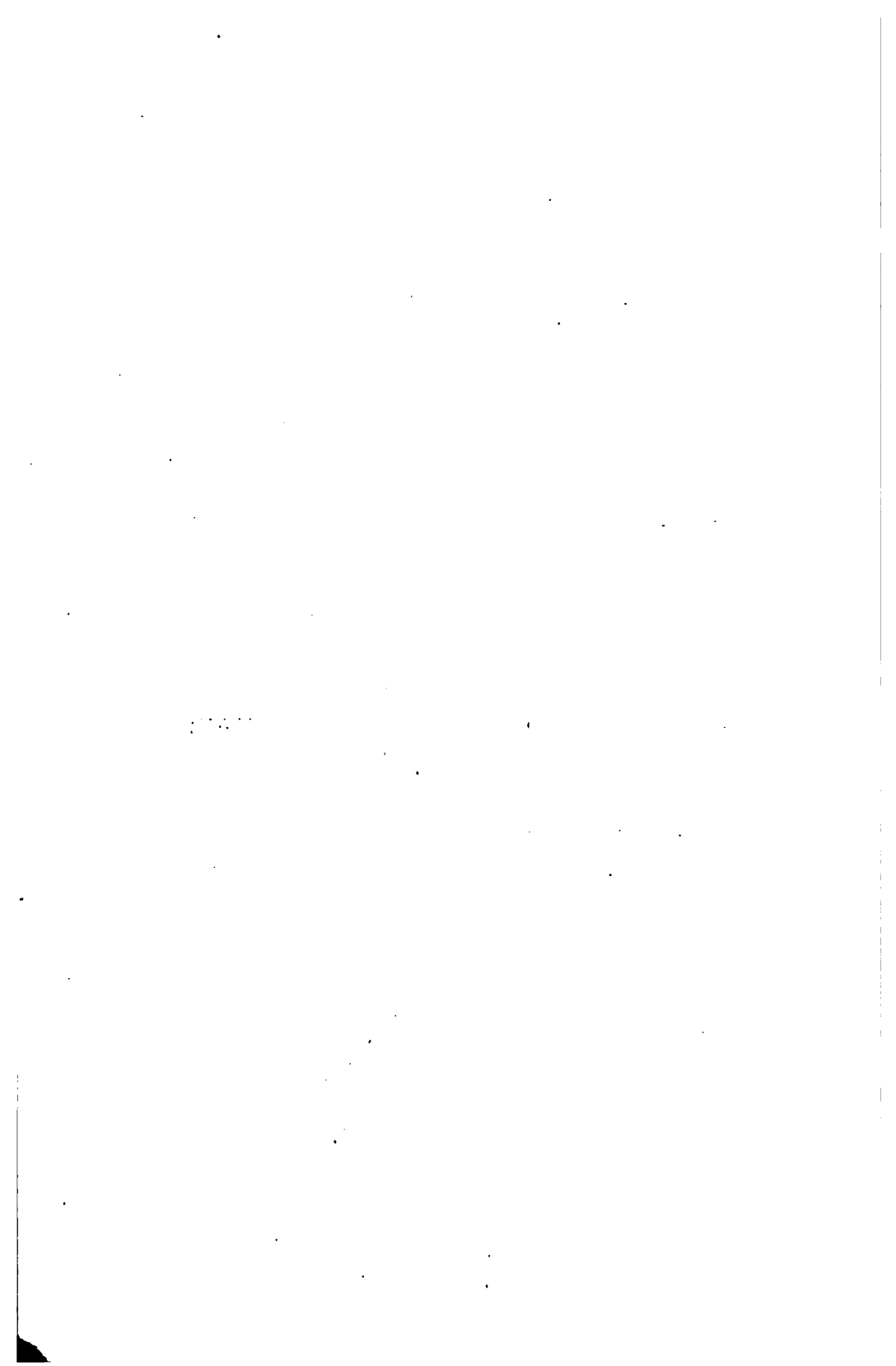
JOSEPH H. WOODWARD

REPORT

ON

**INVESTIGATION OF EXCISE REINSURANCE
AGREEMENT**

[1301]



Report on Investigation of Excise Reinsurance Agreement

STATE OF NEW YORK

INSURANCE DEPARTMENT,

NEW YORK OFFICE, 165 BROADWAY,

NEW YORK, June 20, 1910.

HON. WILLIAM H. HOTCHKISS, *Superintendent of Insurance,*
Albany, N. Y.

SIR.—Acting under your instructions I have investigated the methods by which the excise bonding business is transacted in this State through the “excise reinsurance agreement.”

The present method has been in operation since May 4, 1906, the date of the first agreement. This method arose from the extremely unsatisfactory results obtained by the old practice of each company writing excise bonds individually. The committees appointed under this agreement obtain information regarding all saloons, hotels, drug stores, groceries, restaurants, etc., which have to furnish bonds to the Excise Department. It would be very expensive, almost impossible, for each company to get this information for itself and the present system enables these companies to eliminate the notoriously bad places, at least. The companies, of course, wish to write only those places on which the probability of loss is comparatively slight, and they also wish to avoid writing bonds on places of the character of those generally known as “dives.” These places can sometimes be written profitably, as divekeepers are often willing to put up cash indemnity to the full amount of the bond and pay a premium in addition, but the companies which are parties to the agreement do not wish to write this class of business and neither does the Excise Department wish it done. If a surety company will not give a bond, the applicant for a license has to give a bond secured by unencumbered real estate, situated in the county, city or borough

where the traffic in liquor is to be carried on, cash bonds not being accepted under the law. This makes it difficult for a place, or : man, with a bad record to obtain a license, a result very much desired by the State Excise Department.

A new agreement is signed by the companies each year and covers the excise bonds issued from October 1st of that year to September 30th of the following year. A copy of the agreement dated May 18, 1909, is attached to this report.

The companies entering into these agreements and the percentage of each bond for which the several companies are liable are as follows:

	Per Cent.
AGREEMENT OF 1906:	
American Fidelity of Vermont.....	5
American Surety of New York.....	18¾
Bankers' Surety of Ohio.....	9
Federal Union Surety of Indiana.....	9
Fidelity & Casualty of New York.....	17¾
Metropolitan Surety of New York.....	12¾
National Surety of New York.....	5
United States Guarantee of New York.....	8½
United Surety of Maryland.....	14¼
AGREEMENT OF 1907:	
American Surety of New York.....	27½
Fidelity & Casualty of New York.....	26¼
Metropolitan Surety of New York.....	18¾
National Surety of New York.....	12½
United States Guarantee of New York.....	15
AGREEMENT OF 1908:	
American Surety of New York.....	15¾
Bankers' Surety of Ohio.....	10½
Federal Union Surety of Indiana.....	10½
Fidelity & Casualty of New York.....	14
Fidelity & Deposit of Maryland.....	12½
Illinois Surety of Illinois.....	7
Metropolitan Surety of New York.....	9¾
National Surety of New York.....	7¾
United States Guarantee of New York.....	12¼
AGREEMENT OF 1909:	
American Bonding of Maryland.....	5
American Surety of New York.....	15
Bankers' Surety of Ohio.....	10
Federal Union Surety of Indiana.....	10
Fidelity & Casualty of New York.....	13½
Fidelity & Deposit of Maryland.....	11½
Illinois Surety of Illinois.....	7
National Surety of New York.....	8
U. S. Fidelity & Guaranty of Maryland...	8¾
U. S. Guarantee of New York.....	11¾

AGREEMENT OF 1910:	American Bonding of Maryland.....	5
	American Surety of New York.....	15
	Bankers' Surety of Ohio.....	10
	Federal Union Surety of Indiana.....	10
	Fidelity & Casualty of New York.....	13½
	Fidelity & Deposit of Maryland.....	10
	Illinois Surety of Illinois.....	7
	National Surety of New York.....	9½
	U. S. Fidelity & Guaranty of Maryland...	8½
	U. S. Guarantee of New York.....	11½

The carrying out of the reinsurance agreement is managed by a general committee consisting of one representative from each company signing the agreement.

The general committee elects an executive committee of seven which in turn elects two underwriting committees, called the city administrative committee and the State administrative committee.

The two administrative committees supervise the work of carrying out the agreement, such as issuing the bonds, collecting the premiums, paying the proper proportion of the premiums to each company, settling losses, etc. The actual charge of this work is in the hands of Mr. A. E. Sheridan for the city administrative committee, and Mr. D. J. Tompkins for the State administrative committee. Mr. Sheridan has an office at No. 1 Madison avenue and Mr. Tompkins at 96 Broadway, New York city.

The city administrative committee attends to the business in Greater New York, Westchester county and Long Island and the State administrative committee to the rest of the business in New York State.

The following are the members of the committees under the 1909 agreement:

GENERAL COMMITTEE

Chairman, George F. Seward, of the Fidelity & Casualty.

J. L. D. Kearney, of the American Bonding.

F. W. Lafrentz, of the American Surety.

F. P. Dolan, of the Bankers' Surety.

F. B. Lord, of the Federal Union Surety.

J. A. Flynn, of the Fidelity & Deposit.

J. S. Hopkins, of the Illinois Surety.

W. C. Armitage, of the National Surety.

C. O. Scull, of the U. S. Fidelity & Guaranty.

D. J. Tompkins, of the U. S. Guarantee.

EXECUTIVE COMMITTEE

Chairman, George F. Seward, of the Fidelity Casualty.
W. C. Armitage, of the National Surety.
F. B. Lord, of the Federal Union Surety.
J. McGinty, of the Bankers' Surety.
S. J. O'Sullivan, of the U. S. Fidelity & Guaranty.
D. J. Tompkins, of the U. S. Guarantee.
F. W. Lafrantz, of the American Surety.

CITY ADMINISTRATIVE COMMITTEE

Chairman, Edward C. Lunt, of the Fidelity & Casualty.
J. McGinty, of the Bankers' Surety.
A. E. Sheridan.

STATE ADMINISTRATIVE COMMITTEE

Chairman, D. J. Tompkins, of the U. S. Guarantee.
F. P. Dolan, of the Bankers' Surety.
F. B. Lord, of the Federal Union Surety.
J. F. Kerr, of the American Surety.

Mr. Edward C. Lunt, of the Fidelity and Casualty Company, is secretary of the general and executive committees.

These agreements are similar in all essential particulars and the following explanation of the 1909 agreement sufficiently illustrates the method.

After the payment of commissions, refunds, allowances, attorney fees and other expenses, the net premium earnings are applied as follows:

(a) Twenty-five per cent. deposited in banks and known as the "Reserve Fund." This fund is to be kept intact until November 1, 1912. On or after November 1, 1912, the executive committee may direct any portion of the fund, not exceeding two-thirds thereof, paid into the "Current-Loss Fund" and applied to the purposes of that fund, or distributed among the companies in proportion to their respective interests under the agreement, or the committee may direct that the reserve fund shall remain intact. In any event one-third of the reserve fund is to remain intact until November 1, 1913.

(b) Of the net premium earnings the sum of \$50,000, is to be deposited in banks and known as the "Current Loss Fund." All salvages and reclamations are also to be paid into the fund and all losses, costs and expenses paid out of it. Whenever the fund falls below \$50,000 the executive committee may replenish the fund from the current premium earnings or call upon the companies to pay into the fund, in accordance with their respective interests in the agreement, such amount as will bring the fund up to \$50,000, more or less.

After the creation of these two funds the executive committee, at convenient intervals, distributes the balance of the money in its hands among the companies, in accordance with their respective interests in the agreement.

The various funds and finances in connection with the different agreements of the different years are kept entirely separate.

The balances in the funds of the various agreements on June 1, 1910, with the exception of a little interest on bank deposits, were as follows:

AGREEMENT OF 1906		
Reserve fund	\$40,244	25
Salvage fund	3,203	00
	<hr/>	
	\$43,447	25
	<hr/>	

AGREEMENT OF 1907		
Reserve fund	\$6,150	97
Salvage fund	14,651	96
Balance of premiums received.....	202	93
	<hr/>	
	\$21,005	86
	<hr/>	

AGREEMENT OF 1908		
Reserve fund	\$98,000	00
Current loss fund.....	1,409	00
Balance of premiums received.....	12,282	13
	<hr/>	
	\$111,691	13
	<hr/>	

AGREEMENT OF 1909		
Reserve fund	\$98,346	23
Current loss fund.....	50,000	00
Balance of premiums received.....	61,139	51
	<hr/>	
	\$209,485	74
	<hr/>	

The bonds are written either in the office of the city administrative committee or in the office of the state administrative committee. Each bond is written on the bond forms of one or other of the companies. Mr. Sheridan and Mr. Tompkins arrange matters so that the percentage of the total amount of the bonds written on each company's forms to the total amount of the bonds issued is about the same as the percentage of the company's interest in the whole business transacted under the agreement.

A statement of the number and amount of bonds issued, premiums thereon, premiums received, claims brought, losses and expenses paid, etc., is rendered to every company on or about the 1st of each month.

When the Excise Department of the State of New York decides to commence proceedings for the forfeiture of a bond, it has to proceed against the particular company on whose policy form the bond has been written. When that company receives the summons, it immediately forwards the papers to Mr. Lunt, the secretary of the executive committee, and the claims are all settled by him. The fifth clause of the agreement provides that the company receiving a notice of loss or claim or summons or other process shall *immediately* forward all the papers in the case to the executive committee. A few days after the first of each month the committee advises each company of the total amount of claims outstanding and each company charges as a liability its proper proportion of the total amount. This settles the question as to whether the companies are charging enough for outstanding excise claims with the exception of three points.

The first point is whether these companies in their reports to those States where some of the companies signing the agreement are not permitted to transact surety business raise the amount of outstanding claims by adding on a proper proportion of the share of these claims for which the companies not licensed in the particular State are liable. They certainly should do so.

The second point is that the executive committee should furnish a detailed schedule to each company instead of the total amount only of the outstanding claims; at present some of the companies report the total amount only of the excise claims in schedules J and K of the annual statement. The secretary of the executive committee informed me that this has been the practice since March 1, 1910, and that the companies will be able to give the details of the excise claims in schedules J and K in future statements.

The third and most important point is regarding claims of which no notice has been received. In this State all excise bonds now expire on October 1st, and the Excise Department has, under the law, three years after the date of the expiration of the bond

in which to commence action for the forfeiture of the bond. A bill has been passed at this session of the Legislature and signed by the Governor reducing the period from three to two years. Comparatively few of these actions are commenced before the expiration of the bond, although in many cases licenses have been revoked and saloons closed up, and as the unearned premium liability runs off on October 1st, some reserve should be charged on account of the many claims of which the companies have not yet been notified. If the amount of these claims would not be in excess of the amount left in the reserve and current loss funds, already referred to, the situation could be met by deducting the amount of each company's share of these funds as an *unadmitted asset*. The fact is, however, that the funds have usually been less than the total amount subsequently paid on these claims. The best solution of the difficulty is to let each company have credit in assets for its share of these funds and charge an extra reserve for the unreported claims, a method similar to that adopted for the credit business. In order to ascertain what this extra reserve should be, the Department is preparing a schedule in which the companies will report the amounts paid by calendar years on the excise bonds issued in each year.

Section 9 of the agreement provides that no company, party to the agreement, shall issue excise bonds in the State of New York, except those pursuant to the terms of the agreement, or by express consent of the Executive Committee.

Respectfully submitted,

CHARLES HUGHES,
Chief Examiner



Amortization as Applied to Bonds or Other
Evidences of Debt Owned by Insurance
Corporations

UNDER SECTION 18 OF THE INSURANCE LAW AS AMENDED

Extract from New York Insurance Law

§ 18. Stocks, bonds and other evidences of debt.—If any domestic insurance corporation shall have invested any of its funds in or loaned any of its funds upon the stock, bonds or other evidences of debt of other corporations or of any nation, state, county, city, town, village, school district, municipality or other civil division of any State pursuant to the laws of this State, and the superintendent shall have reason to believe that such stock, bonds or other evidences of debt are not amply secured or are not yielding an income, he may direct it to report to him under oath the amount thereof, the security therefor and its market value. No stock and no bond or other evidence of debt if in default as to principal or interest, or if not amply secured, shall be valued as an asset of the corporation above its market value. All bonds or other evidences of debt held by any life insurance corporation authorized to do business in this State shall, if amply secured and if not in default as to principal or interest, be valued as follows: If purchased at par, at the par value; if purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield meantime the effective rate of interest at which the purchase was made; provided that the purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, and provided further that the Superintendent of Insurance shall have full discretion in determining the method of calculating values according to the foregoing rule, and the values found by him in accordance with such methods shall be final and binding; provided, also, that any such corporation may return such bonds or other evidences of debt at their market value or their book value, but in no event at an aggregate value exceeding the aggregate of the values calculated according to the foregoing rule.

Amortization as Applied to Bonds or Other Evidences of Debt Owned by Insurance Corporations

STATE OF NEW YORK — INSURANCE DEPARTMENT

ALBANY, N. Y., November 3, 1909.

To Domestic Insurance Companies and Life Insurance Companies of Other States and Countries Doing Business in the State of New York

The following is in answer to many inquiries received by the Superintendent of Insurance regarding the application of amended section 18 of the Insurance Law of the State of New York providing for "amortization" of fixed term securities:

1. Companies affected. All life, fire, surety, casualty and other insurance companies, organized under the laws of New York, and all life companies of other States and countries authorized to do business in New York, must amortize their bonds returned in the annual statements showing their condition as of December 31, 1909; but any such company, other than a life company, may avail itself of the proviso quoted in the footnote.* No other company authorized to do business in New York need amortize its bonds.

2. Securities affected. The section applies to all bonds and securities "amply secured and not in default as to principal or interest" having a fixed date of maturity. As to bonds subject to call or optional redemption, see page 10 of Department pamphlet letter of July 22, 1909. The section does not apply to stocks, real estate, loans on bonds and mortgages or other investments not in

* The nature of the business done by companies other than life companies suggests to the department that, instead of amortizing their bonds, they return them as provided in the following clause quoted from section 18, as amended, viz.:

"provided, also, that any such corporation may return such bonds or other evidences of debt at their market value or their book value, but in no event at an aggregate value exceeding the aggregate of the values calculated according to the foregoing rule."

If companies avail themselves of this suggestion, it must be made clear in the statement that the aggregate value returned does not exceed the aggregate of amortized values.

the nature of bonds having a fixed date of maturity. English consols and other "perpetual" bonds must be treated as securities without fixed date of maturity and valued upon market prices. Bonds subject to optional redemption at a premium are to be amortized upon the effective rate of interest to maturity, unless this will give an amortized value at the option date greater than the option price of redemption; in which latter case, they are to be treated as bonds having a par equal to the option price of redemption maturing at the option date, and after such date, if not redeemed, a new amortization, starting with the option price of redemption, carried out to bring them to par at maturity. Where portions of an issue of bonds may be annually drawn by lot for redemption from a sinking fund or otherwise, they must be treated as running to maturity regardless of the option, and whatever is lost or gained by redemption of any bonds in any year must be treated as loss or gain on maturity of bonds in the accounts for that year.

3. Scientific method of amortization. The following applies only to the scientific method of amortization, which life companies at least are expected to follow. The so-called pro rata method requires no elucidation.

a. *Effective rate of interest.* In case of bonds bought "to net" a certain rate of interest, the effective rate presents no difficulties. In case of bonds bought at a certain "price," however, it will often be impossible to obtain a decimal *exactly* representing the effective rate, and approximation is, therefore, necessary. The small error in the effective rate will produce a cumulative error in the computation of a schedule of values of the security at different periods. This error will accumulate at the beginning or end of the period of amortization according to the plan adopted. All possible plans for making such a schedule reduce in effect to two, viz.:

(1) The application of the assumed effective rate to the actual cost, by adding interest on cost at the effective rate to each interest date in succession, and deducting the actual payment of interest to find a new principal which is the amortized value of such date. This method accumulates all errors at maturity. Under it, too high an assumed effective rate on bonds bought at a premium, or too low a rate on bonds bought at a discount, will amortize the value too slowly, with the result that the amortized value will not

reach par at maturity. On the other hand, too low an assumed effective rate on bonds bought at a premium, or too high a rate on bonds bought at a discount, will amortize the value too rapidly and bring it to par before maturity.

(2) The application of the assumed effective rate to the maturity or par value, by extracting from the bond tables the investment or amortized value at the inaugural date of the amortization, *i. e.*, the value which at the assumed effective rate will exactly come to par at maturity. Under this method all errors are accumulated at the inaugural date, *i. e.*, distributed over the period between purchase and the inauguration of amortization. In this method too high an assumed effective rate on bonds purchased at a premium, or too low a rate on bonds purchased at a discount, results in too great amortization in the period elapsed between purchase and inauguration of amortization, and vice versa.

On account of the fact that the second method results in referring the errors of computation, if any, to the period already elapsed, and further, because of the obviously greater facility with which values at a given date may be checked by use of a bond table, the Department will require the use of this method in company reports for 1909. It will further require the effective rate of interest to be ascertained to the nearest one-hundredth of one per cent. on a semi-annual basis and to be expressed decimally, *e. g.*, effective rate 4.31 per cent., not $4\frac{1}{4}$ per cent., $4\frac{3}{8}$ per cent. or $4\frac{5}{16}$ per cent. This rule states the degree of refinement required in stating effective rate. Greater refinement, *i. e.*, carrying the rate to a greater number of decimal places, will be allowed if desired by companies.

b. *Approximation of dates.* The purchase and cost of securities owned prior to December 31, 1908, may be assumed to be at the nearest interest date to the actual date of purchase. The period between the last regular interest date and the date of maturity (in case of a few issues not maturing on a regular interest date) may be neglected, and the securities may be treated as maturing on the last regular interest date and amortized so as to bring the value to par on that date. The period elapsed from the last interest date to December 31 (in case of bonds paying interest on dates other than January 1 and July 1) may not be neglected, but the value must be computed to December 31 (or January 1) by deducting

or adding the difference between nominal and effective interest for the period. Purchases of the same security prior to December 31, 1908, may be treated, for purpose of amortization, as one purchase at an average price and an average date.

c. *Different dates of purchase and sale.* The holdings of a single security resulting from purchases made at different dates (except as noted above) should be reduced to one item with a single effective rate, in substantially the following manner: To the amortized value of previous holdings at the December 31 next succeeding a new purchase, add the cost of the new purchase amortized to the same date, and compute on the entire holding the new effective rate of interest. Sales of a part of the holdings are to be deducted from the total holdings at the amortized value, and the difference between this and the sale price treated as profit or loss on sale of securities.*

d. *Serial bonds.* The effective rate of interest for the scientific amortization of serial bonds may be computed as shown in treatises covering this subject. After obtaining the effective rate, an inaugural value (see the second method above) for the series may be obtained by summing the present worth of all the bonds on the determined effective rate. This inaugural value once obtained will amortize in the same manner as any other block of bonds, interest and principal paid being deducted each year. If preferred the several maturities of serial bonds, after obtaining the effective rate, may be carried separately.

4. It is essential to the application of the amortization plan and to the accuracy of the company statements that the "original cost" of securities be stated accurately after deduction of any sums paid as accrued interest at the time of purchase.

5. Companies adopting the scientific method of amortization will report the details of their method of calculating the values with one example worked out in full detail. This, to enable the audit bureau of the Department to check the values with facility.

Respectfully yours,

WILLIAM H. HOTCHKISS,

Superintendent of Insurance

* This paragraph (c) is an important modification of the third paragraph on page 2 of department pamphlet letter of July 22, 1909. See Vol. V, 1909, p. 1347.

**Fees and Taxes Charged by New York Insurance Com-
panies by Insurance Departments of
Other States for 1910**

[1317]

**Fees and Taxes Charged New York Insurance Companies by
Insurance Departments of Other States for 1910**

STATE OF NEW YORK

INSURANCE DEPARTMENT

ALBANY, *January 1, 1910.*

SIR.— Sent you herewith are abstracts of letters received from the Insurance Superintendents and Commissioners of other States, setting forth in detail the fees and taxes imposed by the provisions of their insurance laws, and which will be collected from the various insurance companies and assessment insurance associations of New York during 1910. The Department understands that no discretionary power is vested in such Insurance Superintendents and Commissioners to reduce or remit these charges.

Very respectfully,

WILLIAM H. HOTCHKISS,

Superintendent of Insurance

**FEES AND TAXES IMPOSED BY THE NEW YORK
INSURANCE LAW ON COMPANIES OF OTHER
STATES.**

Authority to remit all fees is vested in the Superintendent of Insurance and they are remitted when like consideration is shown New York companies by other States.

Fees.— Filing declaration and certified copy of charter, live stock, co-operative life or co-operative casualty companies and fraternal beneficiary associations \$10 00
Filing declaration and certified copy of charter, all other companies 30 00

Filing annual statement, live stock and co- operative companies, \$1 for each 100 members, not to exceed.....	\$25 00
Filing annual statement, all other companies.	20 00
Certificate of authority, company or agent...	5 00
Certificate of deposit, valuation or compliance, each	5 00

Copy of records, 10 cents per folio and \$1 for seal.

Retaliatory provisions for other or greater charges by other States.

Taxes.—Life and casualty companies of other States, 1 per cent. of gross premiums received in this State. (Collected by State Comptroller. Section 187, Tax Law.)

(In collecting taxes, under retaliatory provisions, from life or casualty companies, the New York Insurance Department allows credit for the amount paid to the State Comptroller.)

Fire companies, 2 per cent. of gross premiums received for insurance on buildings within the fire limits of cities and villages maintaining fire departments. (Payable to fire departments or associations. Section 133, Insurance Law.)

(In collecting taxes, under retaliatory provisions, from fire companies, the New York Insurance Department allows credit for the amount paid under section 133.)

Marine companies, 2 per cent. of gross premiums received in the State, or obligations taken therefor, less reinsurance paid to companies subject to this tax. (Section 34, Insurance Law.)

Mutual fire insurance companies of other States admitted to do business in the State of New York pursuant to chapter 286, Laws of 1909, are required to pay to the Superintendent of Insurance 1 per cent. of their gross premiums or assessments collected or received by them for insurance upon property situate within the State.

Retaliatory provisions for other or greater taxes by other States.

FEES AND TAXES IMPOSED BY OTHER STATES ON
NEW YORK STATE COMPANIES.

(It is understood that the following charges are minimum, the Superintendents and Commissioners of the various States having no authority to remit.)

ALABAMA.

Fees.— Company's license, renewable annually.....	\$101 00
Agent's license, each member of firm.....	3 50

Fees not prorated.

Taxes.— One and one-half per cent. of gross fire premiums received in the State less return premiums. Two per cent. of gross life premiums.

Mutual Aid Associations.

Fees.— License	\$20 00
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Taxes.— One per cent. of premiums received.

Retaliatory provisions for greater charges by other States.

Publication.

Abstracts of statements required to be published in a newspaper of general circulation.

Publication to be at expense of company, and can be done by company direct, or the department will place such advertising. The usual charge for same is \$10.00. No statute fixes such charge.

ALASKA.

Fees.— Filing certificate of qualification.....	\$5 00
Filing power of attorney.....	5 00

Fraternal beneficiary associations pay no fees.

Taxes.— None.

ARIZONA.

Fees.— Filing articles of incorporation.....	\$5 00
Filing notice of appointment of agent who is a resident of the county in which the com- pany transacts business, for the purpose of service of summons. Such appointments to be individual. Appointment to be filed with the County Recorder.....	0 20

Filing annual statement.....	\$5 00
Certificate of authority	5 00
Agent's license, including firms.....	2 00
Publication of annual statement.....	2 50

Taxes.— Two per cent. of gross premium receipts in the Territory.

Publication.—Abstract of annual statement prepared to be published once. Attended to by Department.

ARKANSAS.

Surety Companies.

Fees.— Filing copy of charter.....	\$15 00
Filing annual statement	10 00
Agents license	2 00
Certificate of authority to Co.....	2 00

All Other Companies.

Filing copy of charter.....	15 00
Filing annual statement	10 00
Certificate of authority.....	2 00
Agent's license (one to each soliciting member of a firm)	2 00

Taxes.— Two and one-half per cent. of gross premiums received in the State, less cancellations; reinsurances in authorized companies, losses paid and commissions paid in the State. (Fraternal societies are not taxed.)

Copy of records, 20 cents per folio and \$1 for seal.

No publication required, but it is the practice of the Department to publish a brief annual report showing the assets and liabilities, business written, renewals, cancellations and business in force at the end of previous year. State pays for this. Two and one-half per cent. on net premium is in lieu of all other taxes, State, county or municipal.

CALIFORNIA.

Fees. — Filing certified copy of charter or articles of incorporation and certificate as to organization and capital and assets.....	\$55 00
Filing annual statement	20 00
For filing any copy or amendment.....	10 00
Filing appointment of general agent.....	5 00
Filing bond of company.....	5 00
For issuing annual certificate of authority..	10 00
Agent's license (each agent and solicitor)...	1 00
Certificate of deposit	5 00
For furnishing copies of papers, per folio..	20
For certifying to copies of papers.....	1 00
For registering each policy.....	1 00
For attaching seal of office to any paper or document (not above specified).....	1 00
For issuing any other certificate.....	2 00

Taxes.— Life companies, 1 per cent. of gross premiums received in the State.

All other companies, 2 per cent. of gross premiums received in the State less return premiums, reinsurance in authorized companies or associations and losses actually paid on business in the State, subject to action of retaliatory law.

Retaliatory provisions for greater taxes by other States.

Publication.—Abstract of annual statement must be published daily for one week in city where principal office in California is located.

COLORADO.

Fees. — Filing the certified copy of articles of incorporation, on the organization of each company	\$50 00
Filing power of attorney and statement preliminary to admission	50 00
Filing copy of its charter or deed of settlement, and examination thereof.....	25 00
Filing annual statement	50 00
Certificate of authority to transact business in this State, renewed annually.....	5 00

Each copy of certificate of authority for use of agents and solicitors to each member of firm	\$2 00
Each copy of any paper filed, per folio.	20
Affixing the seal of the office, and certifying any paper	1 00

Taxes.—Two per cent. of gross premiums received or written in the State, less net reinsurance premiums paid to companies authorized to do business in this State and for return premiums on risks cancelled other than reinsurance risks.

Also a State corporation tax of two cents upon each \$1,000 of capital stock.

Publication.—Abstracts of annual statements must be published at least four times in a Denver newspaper of general circulation. A copy of such publication must be filed with the Commissioner of Insurance.

CONNECTICUT.

Fees. —Filing copy of charter (surety companies only)	\$10 00
Filing preliminary statement	10 00
Filing annual statement	10 00
Filing any additional paper required by law.	25
License to company, annual.	10 00
Agent's certificate of authority issued to a corporation only	4 00

Foreign Companies.

Filing copy of charter.	30 00
Filing preliminary of annual statement.	20 00
License to company, annual.	50 00
Agent's certificate of authority.	2 00

Reciprocal provisions for fees, for valuing life insurance policies and for taxes.

Taxes.—Two per cent. gross premiums, from foreign companies (of other countries).

DELAWARE.

Fees.— Filing statement and copy of charter with ap- plication	\$20 00
Filing annual statement thereafter	10 00
Publication of abstract of annual statement (estimated)	5 00
Certificate of authority renewable annually	27 00
Agent's license	2 00
Agent's State license	5 50

Copy of records, 20 cents per folio and \$1 for seal.

Taxes.— On fire and miscellaneous insurance companies, one and one-half per cent. of gross premiums collected in the State, on all direct business; no credit given for reinsurance premiums paid, nor for premiums returned for cancelled policies. No account taken of premiums received by way of reinsurance. Payable to the Insurance Commissioner. Three-quarters of 1 per cent. on gross premiums payable to the State Treasurer by Delaware fire and miscellaneous insurance companies only.

On life insurance companies two per cent. of gross premiums. Retaliatory provisions for greater charges by other States.

Fraternal Beneficiary Associations.

Fees.— Filing statement and copy of charter with ap- plication	\$10 00
Filing annual statement thereafter	10 00
Publication charges	5 00

Publication.—Abstracts of annual statements are made by the Insurance Commissioner in three newspapers for three issues. The Commissioner pays the bill from moneys assessed.

DISTRICT OF COLUMBIA.

Fees.— Filing certified copy of charter or articles of incorporation and appointment of attorney, including annual license	\$10 00
Policy-writing agent's annual license	50 00
Broker's annual license	50 00

Ordinary solicitor's annual license.....	\$5 00
Industrial solicitor's annual license.....	2 00
Fraternal beneficial association's annual li- cense	5 00

Taxes.—All companies, except mutual fire, 1½ per cent. of gross premiums received in the District, less return and reinsurance premiums.

Publication.—Annual statements must be published by the company once in one paper in March of each year.

Not required of fraternal beneficial associations.

FLORIDA.

For filing charter or articles of incorporation \$2, upon each \$1,000 of capital stock. The tax, however, not to exceed \$250 in any case, to be paid only once when the company enters State. The Secretary of State is entitled to a fee of \$5 in this connection.

Fees.—Filing annual statement.....	\$10 00
Annual State license	200 00
Annual license for plate glass insurance companies	50 00
Agent's license, each member of firm.....	5 00
Counties, cities and towns may require a license fee for agents not to exceed.....	2 50
License for traveling agent or solicitor.....	25 00
License for each adjuster.....	10 00
License for each rate agent.....	25 00

Counties, cities and towns may require a license fee for traveling agents or solicitors of \$5 for each county in which business is done.

Taxes.—Two per cent. of gross premiums received in the State.

Sick and Funeral Benefit Insurance Companies.

Annual State license.....	\$100 00
Local agent's license.....	5 00
Traveling agent's license.....	25 00
For filing annual statement.....	5 00

Fraternal beneficiary associations pay no fees.

State licenses are renewable October 1. If issued after April 1, half the above fee is charged.

Publication.—The State Treasurer shall annually in the month of February publish in some newspaper published at the Capital, a list of all insurance companies, associations, firms or individuals authorized to do business in this State, showing in tabular form the assets, liabilities, and other essential data and information regarding the statements made and accepted.

GEORGIA.

Fees.— Fire insurance companies in lieu of all other fees	\$200 00
Filing annual statement	20 00
Filing copy of charter or certificate of no change in charter since last filing	20 00
Agent's license (one to a firm)	3 00
Beneficiary order's license (no other fees or taxes)	10 00
State agents, assessment companies	25 00

Taxes.— One per cent. of gross premiums received in the State. (Fire and marine companies deduct return premiums.)

Local agent's occupation tax (fire companies)	\$10 00
State agent's occupation tax (life or fire companies)	50 00

Publication.—The semi-annual statements made to the Governor are required to be made one time in a paper of general circulation in this State. The companies bearing the expense and making the selection of the paper in which the publication is to be made.

HAWAII.

Fees.— Filing copy of articles of incorporation	\$25 00
Filing annual statement	10 00
Filing annual statement of business in the territory	10 00
Filing power of attorney	1 00

Filing any other paper.....	\$1 00
Certificate of authority.....	10 00
Agent's license	2 00

Copy of records, 25 cents per folio and \$1 for seal.

Taxes: Fire and Marine.—A tax of 2 per cent. on the gross premiums received, less

1. Return premiums.
2. Reinsurance in authorized companies.
3. Losses paid to policyholders.

Life.—A tax of 2 per cent. on gross premiums received, less

1. Return premiums.
2. Reinsurance in authorized companies.
3. Death claims.
4. Payments made to policyholders.
5. Actual operating and business expenses.

Accidents, etc.—A tax of 2 per cent. on the gross premiums received, less

1. Return premiums.
2. Reinsurance in authorized companies.
3. Claims actually paid to policyholders.

IDAHO.

Each accident, health, life, fire, marine, inland, casualty or fidelity company, upon application for entry to this State, must furnish the County Recorder, of the County in which is designated their principal place of business in this State, two copies of their Articles of Incorporation and two copies of designation of Agent, one copy of each being filed in his office, and certifying the other to the Secretary of State, and each company must pay the usual fees to the above department for filing such papers.

The publication of annual statement is exacted from life insurance companies only. The statutes provide that every company, corporation, association, or society transacting business of life insurance within the State of Idaho shall publish or cause to be published as soon after the first day of January, and prior to the first of April in some paper published in the State capital, a statement showing the exact condition of their affairs on the last

day of the month of December preceding. Only one insertion is required and in but one paper. For the accommodation of the life insurance companies themselves we have made it a practice to attend to the necessary publication of their annual statement on a blank form we have had prepared for this purpose. There is no objection, however, to a company's taking care of the matter of publishing themselves if they so desire.

State Deposits required of Surety Companies.— Idaho statutes provide for a deposit with the State Treasurer of \$25,000 in money, bonds or other securities, to be approved by the Insurance Commissioner. Such deposits shall be for the benefit of the holders of obligations of a surety company, to remain in the State Treasury in trust to answer any default of said companies as surety upon any such obligations. The companies, however, have at all times the right to collect the interest, dividends and benefits upon all such securities.

Statement of Fees.

Made payable by law to the Department of State, Secretary's office, State of Idaho, including those passed by the sixth (1901) session of the Legislature:

1. For a copy of any law, resolution, record or other document or paper in his office, per folio....	\$0 20
2. For affixing certificate and seal of the State....	1 00
3. For filing articles of incorporation:	
(a) When the authorized capital stock does not exceed \$25,000	10 00
(b) When the authorized capital stock exceeds \$25,000 and does not exceed \$50,000..	20 00
(c) When the authorized capital stock exceeds \$50,000 and does not exceed \$100,000.	40 00
(d) When the authorized capital stock exceeds \$100,000 and does not exceed \$500,000.	60 00
(e) When the authorized capital stock exceeds \$500,000 and does not exceed \$1,000,000	100 00
(f) When the authorized capital stock exceeds \$1,000,000	150 00

5. For issuing each certificate of incorporation, or qualification, or increase or decrease in capital stock	\$3 00
11. For filing, recording and indexing designation of agent for foreign corporation	2 00

County Auditor's Fees.

Filing designation of agent	\$0 50
Certified copy of articles of incorporation, per folio . .	20

Insurance Department.

Each accident, health, life, fire, marine, inland, casualty or fidelity company, upon application for entry to this State, must furnish to the Insurance Commissioner of the State of Idaho, the following fees:

Annual license	\$50 00
Filing certified copy articles incorporation (when entering)	10 00
Filing annual statement	10 00
Each agent's certificate of authority (life), one to a firm	5 00
Each agent's certificate of authority (fire), one to a firm	3 00
Each agent's certificate of authority (miscellaneous) .	3 00

Assessment Life and Casualty Companies.

Agents' certificates of authority	\$3 00
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All other fees same as above.

Live Stock Companies.

Annual license	\$10 00
Filing articles of incorporation (when entering) . . .	10 00
Filing annual statement	10 00
Each agent's certificate of authority	2 00

Fraternal Beneficiary Societies.

Annual permit	\$5 00
Filing annual statement.....	25 00

Taxes.

Two per cent. of gross premiums received in the State, less losses paid and premiums returned.

ILLINOIS.

Fees.— Filing annual statements, except fraternal societies	\$10 00
Filing annual statements, fraternal societies.....	5 00
Agent's license (one to a firm).....	2 00
Publishing annual statement:	
Life companies	105 00
Fire, marine and casualty companies.....	80 00
Issuing licenses to fraternal societies.....	10 00

The department does not issue annual licenses or certificates of authority to insurance companies. The license which is issued when company is admitted to State continues its authority to do business in the State until company fails to comply or the license is revoked.

Taxes.— The net receipts of all companies are taxed locally as personal property. An additional 2 per cent. of gross receipts of fire and marine companies may be levied by cities having fire departments.

Retaliatory provisions for other taxes.

Publications attended to by this Department.

Publication.

Annual statement of fire, marine, fidelity, surety and casualty insurance companies must be published in two newspapers, one in Springfield and the other in Chicago, for fifteen days, charge \$80.

Life insurance companies are required to publish annual statement in two newspapers, one in Springfield and the other in Chicago, for one month, charge for same \$105.

§ 27. There shall be paid by every company, association, person or persons, or agent, to whom this act shall apply, the following fees: For filing the declaration or the certified copy of a charter herein required, the sum of thirty dollars; for filing the annual statement required, ten dollars; for each certificate of authority to agents of companies or associations not incorporated under the laws of this State, two dollars; for each certificate of authority to agents of companies incorporated under the laws of this State, fifty cents.

Fire Marshal Tax.

One-fourth of 1 per cent. of gross premium receipts.

INDIANA.

Fees.— Filing and examining annual statement....	\$25 00
Certificate of authority.....	5 00
Agent's license (individual or firm).....	3 00
Two copies of statement for publication....	2 00

Taxes.— Three per cent. of gross premiums received in the State less losses paid in the State, and return premiums on canceled policies. Abstracts of annual statements published twice in two newspapers. Attended to by the department.

Assessment Life and Casualty Companies.

Fees.— On admission	\$45 00
Filing annual statement.....	25 00
Agent's license	1 00

Publication.— Surety companies, per year.....	\$24 00
Fire, life and casualty companies, per year	48 00

IOWA.

Fees.— Filing copy of charter or articles of incor- poration	\$25 00
Filing annual statement	20 00

FEES AND TAXES CHARGED

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Certificate of authority renewed annually...	\$2 00
Agent's license (one to each member of a firm)	2 00
Two certificates of authority for publication (fire and casualty companies).....	4 00
One certificate of authority for publication (assessment associations)	2 00
Filing statement and issuing certificate of authority, fraternal societies. (No other fees)	25 00

Taxes (fire companies only).— Two and one-half per cent. of the gross amount of premiums received for business done in the State, including all insurance upon property situated therein, *less the amount of premiums returned upon cancelled policies issued upon property situated in the State.*

Taxes.— Two and one-half per cent. of gross premiums received in the State. (Life, fidelity and casualty companies only, without deduction.)

Publication.— Abstracts of annual statements of fire, fidelity and casualty companies are required to be published by the Auditor of State once in two newspapers. Fee fixed by law at \$6 for each publication.

Certificate of authority to assessment associations are required to be published once a week for four weeks in some newspaper of general circulation. Fee not fixed, but the usual charge is \$12.

Retaliatory provisions for greater charges by other States.

KANSAS.

Fees.— On application for admission:

Fraternal beneficiary societies.....	\$25 00
Assessment life and accident insurance companies	115 00
Annual license, annual statement and certificate of authority for same.....	115 00
All other insurance companies.....	156 00
Filing annual statement:	

Fraternal beneficiary societies.....	\$20 00
All other insurance companies.....	50 00
Agent's license (one to each member of firm)	2 00
School fund fee to fire, life and miscellaneous insurance companies	50 00

Taxes.—Two per cent. of gross premiums collected in the State.

Companies of other countries, 4 per cent. of gross premiums collected in the State. Allowance is made for return premiums on cancelled policies.

Fire companies pay in addition, 2 per cent. of gross premiums collected in cities having fire apparatus worth \$1,000.

Retaliatory provisions for other or greater charges by other States.

KENTUCKY.

Fees.—Filing copy of charter or articles of incorporation	\$30 00
Filing annual statement.....	25 00
Agent's license (life)	5 00
Agent's license (industrial)	2 00
Agent's license (all other companies).....	3 00
Seal of office with certificate.....	1 00

Copy of records, 20 cents per folio.

Valuing life insurance policies, one cent on each \$1,000 of insurance.

Taxes.—Insurance companies of other States and foreign countries, 2 per cent. of gross premiums received in the State. (Fire and miscellaneous companies deduct return premiums and reinsurance in authorized companies.)

Fire insurance companies also pay 1-3 of 1% (one-third of one per cent.) on their gross premium receipts to defray the expenses of the Fire Marshal's Department. This tax to be collected by the Insurance Commissioner as other taxes on insurance companies are collected.

Retaliatory provisions for other or greater charges by other States.

LOUISIANA.

Fees.— But one State license is required. It is based on the gross premiums received in the State. (Fire insurance companies deducting return premiums and reinsurance in authorized companies.) For companies entering the State between January and July license is computed on the business done during the first two months, multiplied by six. Companies entering the State after July pay half-yearly license. Every municipal corporation, where an agent is domiciled, may collect the same license as the State; the city of New Orleans is the only one demanding it.

The following table shows the graded licenses of fire and marine companies:

\$10,000 or less	\$150 00
\$15,000 and less than \$20,000.....	225 00
\$20,000 and less than \$30,000.....	300 00
For each additional \$10,000 or part, until the receipts amount to \$300,000.....	150 00
Life insurance companies, \$30,000.....	120 00
For each additional \$10,000, or part, until re- ceipts amount to \$1,500,000.....	60 00 .
Certificate of authority.....	10 00
Agent's license (one to a firm).....	2 00
Filing annual statement.....	15 00
Filing any other paper required by law.....	25
Seal of office with certificate.....	1 00

Copying or recording, 25 cents per folio.

Benevolent or Fraternal Associations.

Benevolent or fraternal societies or associations, employing solicitors or agents, pay for licenses as follows:

When gross annual receipts amount to \$50,000 or more	\$375 00
\$40,000 and less than \$50,000.....	300 00
\$30,000 and less than \$40,000.....	225 00
\$20,000 or less.....	150 00

Publication.— Abstract of annual statement of fire companies, showing Louisiana business, must be published for thirty days in two newspapers. The company makes its own publications and selects the newspapers for publication.

Fire Marshal Tax.— Two-fifths of 1 per cent. of gross premium of fire insurance companies to defray fire marshal's expenses.

MAINE.

Fees. — Certificate of authority on admission, renewable July 1 (renewal not required of fraternal associations)	\$20 00
Agent's license, renewable July 1 (firms \$2 for each member)	2 00

Taxes.— One and one-half per cent. of gross premiums received in the State less return premiums, premiums on reinsurance in authorized companies and premiums on farm property.

Fraternal associations pay no taxes.

Retaliatory provisions for other or greater charges by other States.

Publication.— All companies except life and assessment and fraternal associations are required to publish abstracts of annual statements once a week for three weeks in each county in which there is an agency. No charge fixed.

MARYLAND.

Fees. — Certificate of authority (not required of fidelity and casualty companies) annual..	\$300 00
Certificate of authority, fraternal beneficiary associations, when first admitted.	25 00
Filing charter or articles of incorporation..	25 00
Filing statement	25 00
General agent's license (any company)	10 00
Sub-agent's license, fire and marine companies (one to a firm)	10 00
Sub-agent's license, life and casualty companies (one to a firm)	2 00

Abstracts for publication (two in Baltimore and one in each county where company was represented in preceding year), each..	\$2 00
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Taxes.— One and one-half per cent. of gross premiums received in the State less return premiums and reinsurance in authorized companies. Retaliatory provisions for other or greater charges by other States.

Fraternal beneficiary associations are not taxed on premium receipts. Employment of paid agents in soliciting or procuring members prohibited, except in the organization or building up of subordinate bodies or granting members inducements to procure new members.

Publication.— Abstracts of annual statements are published by the department, once a week for three consecutive weeks in a daily newspaper published in the city of Baltimore. The companies must in addition publish said abstract in another paper three times. Every company doing business in any of the counties of the State is also required to publish an abstract of its annual statement in at least one newspaper in each county in which it transacted business in the preceding year.

Unauthorized Insurance.— Holders of policies in unlicensed companies are required to file with the commissioner a statement describing the policies, and to pay thereon a tax of 5 per cent. of the premiums, also \$1 on each policy for making record. Persons who file an affidavit setting forth that they are unable to obtain insurance in licensed companies are required to pay only the fee for recording, and are exempt from the premium tax.

MASSACHUSETTS.

Fees.— Filing copy of charter.....	\$30 00
Filing financial statement, with application for admission	20 00
Filing annual statement.....	20 00
Agent's license, renewable July 1 in each year, one to a firm (not required of assess- ment and fraternal companies).....	2 00

License to company expires June 30th. No fee for renewal of same except retaliatory.

No fee for valuing life policies of foreign companies except under retaliatory provision.

Fraternal orders pay no fees.

Taxes.— (The collection of taxes is by Tax Commissioner and not Insurance Department.)

Life companies, one-fourth of one per cent. on net value of Massachusetts policies; also retaliatory premium tax.

Accident, surety and fidelity companies, 2 per cent. of premiums less reinsurance if effected through a Massachusetts licensed agent in authorized companies, returned premiums and unused balances on notes taken for premiums on open policies.

All other companies, 2 per cent. of premiums with deductions as above unless increased by retaliatory provisions.

Assessment and fraternal companies are not taxed.

Retaliatory provisions for other or greater charges by other States.

MICHIGAN.

Fees.— Retaliatory provisions govern all fees.

Taxes.— Fire and marine companies, 3 per cent. of gross premiums received in the State, less return premiums and reinsurance premiums *received* when the tax has been paid on the original premium.

All other companies, 2 per cent. of gross premiums received in the State.

Assessment associations pay no taxes.

Publication.— Statement of fire companies required to be published on admission only.

MINNESOTA.

Fees.— Filing copy of charter or articles of incorporation

\$30 00

Filing annual statement

20 00

Certificate of authority

2 00

Renewal certificate of authority

2 00

Agent's license (one to each member of a firm)

2 00

Renewal of agent's license.....	\$2 00
Valuing life policies, one cent for each \$1,000 valued, except in case of assessment policies valued as yearly renewable term, when charge shall be \$10 per day.	
Three abstracts of annual statement for pub- lication	10 00
Copy of records, 20 cents per folio and \$1 for certifying same.	
License to place insurance with unauthorized companies	10 00
Broker's license	10 00
Accepting valuations of policies of other States	50 00
Filing certified copy amendment to articles of incorporation	10 00
For each certificate, including certified copy of certificate of authority, renewal, valua- tion of life policy, corporate condition or qualification	1 00
For receiving and forwarding a copy of sum- mons or other process served upon Com- missioner of Insurance, as attorney for any insurance company	2 00

(Provided, that, when by the laws of any other State or nation any fines, penalties, license or fees additional to, or in excess of those imposed by this State upon foreign insurance companies and their agents, are imposed upon insurance companies of this State or their agents, doing business in such State, the same fines, penalties, licenses, and fees shall be imposed upon all insurance companies of such State and their agents doing business in this State, so long as such Laws remain in force.)

Taxes.—Two per cent. of the "gross" premiums less return premiums "on all direct business" received by any foreign or domestic company, except town and farmers' mutual insurance companies, in this State, or by its agents for it, in cash or otherwise, during the preceding calendar year. In the case of every

domestic company such sums shall be in lieu of all other taxes except those upon real property owned by it in this State. In the case of every foreign company such sums shall be in lieu of all other taxes, except those upon real and personal property owned by it in this State.

In addition every foreign fire company doing business in any city wherein a salvage corps has been established pursuant to law for which such company or its agents for it are not otherwise subject to taxation, shall at the same time pay to the treasurer of the duly authorized board of underwriters therein a tax equal to 2 per cent. of the gross amount of premiums received by it, or for it, in such city.

The above mentioned taxes shall not apply to any corporation, association, or society engaged in the business of life insurance upon the co-operative or assessment plan, or to any such corporation, society or association, engaged in the business of casualty insurance upon the co-operative or assessment plan.

One-fourth of 1 per cent. of net premiums of fire insurance companies for fire marshal.

Publication.—When the statement of an insurance company has been approved by the Commissioner, a summary of such statement, prepared by the Commissioner, together with his certificate of approval, shall be published, and proof of publication filed with him before May 1st following, in default whereof he shall have such publication and proof made at the expense of the company. The publication shall be made in the place of the company's home office, if within the State, otherwise in each of the three most populous counties of the State, and in all cases at least three times, and in a daily newspaper, conforming to the requirements of section 5515, Revised Laws, 1905, which will accept and publish such advertisement, at the rates prescribed by law for legal publications, if there be one, but if not, then in a weekly newspaper having a general circulation in the county of its publication. Such newspaper shall be entitled to charge and receive for such publication not to exceed the rate prescribed by law for legal publications.

Fraternal Orders.

Fees.—Certificate of authority or renewal. \$10 00

(No charge for filing copy of charter or articles of incorporation, or any amendment thereto. Statement required to be filed, but no abstract thereof to be published.)

MISSISSIPPI.

Fees.— Filing charter or articles of incorporation (fraternal orders only).....	\$25 00
Filing preliminary statement.....	20 00
Filing annual statement.....	10 00
Filing any other paper required by law.....	1 00
Privilege license life companies.....	250 00
For each license issued to a fire insurance corporation or association, or to any com- pany or association of companies operating a separate or distinct plant or agency in the State	300 00
For each license issued to a marine insurance company or association.....	200 00
For each license issued to an accident insur- ance company or association.....	200 00
Privilege license fraternal orders.....	25 00
Privilege license all other companies.....	100 00
Certificate of authority, general agents.....	3 00
Certificate of authority, agent's.....	2 00
Certificate of compliance.....	2 00
Designation of commissioner for service of process	1 00
Service on commissioner.....	2 00
Examination, in addition to expenses in- curred per diem.....	25 00
Copy annual statement.....	5 00
Publication of annual statement.....	9 00
Abstract of annual statement for filing with Chancery Clerk	2 00

Copy of records, 10 cents per 100 words.

Taxes.— Life companies, 2 per cent. of gross first year's pre-
miums and one-tenth of 1 per cent. of renewal premiums received
in the State on business written after March 5, 1902.

All other companies, 2 per cent. of gross premiums received in the State less return premiums. Fire companies pay one-fifth of 1 per cent. for Fire Marshal Tax.

Fraternal orders pay no premium taxes.

MISSOURI.

Fees on Admission.— Assessment life and accident companies		\$50 00
Stipulated premium companies		25 00
Fraternal beneficiary associations		5 00
All other companies		61 00

Annual Fees.— Filing annual statement (United States fire and marine companies)		\$30 00
Regular life and miscellaneous companies		40 00
Filing annual statement and issuing certificate of authority, stipulated premium companies		25 00
Filing annual statement and issuing certificate of authority to assessment life and accident companies		50 00
Filing annual statement and issuing certificate of authority to fraternal beneficiary associations		5 00
Certificate of authority (fire, regular life and miscellaneous stock companies), annually		1 00
Certificate of authority (all other companies), annually		1 00
Agent's license (stipulated premium companies), one to each individual		1 00
Agent's license (all other companies and associations), one to each individual		2 00
Reciprocal provisions govern agents' licenses and all other fees.		
Agent's license, unauthorized companies		10 00
Broker's license		10 00

Taxes.—Stipulated premium companies 1 per cent. of gross premiums received in the State.

The agent or agents of any fire insurance company doing business in any city in the State having a population of more than 100,000 inhabitants, in addition to the tax on premiums, shall pay to the collector of said city (if said city shall so declare by ordinance) on or before the first day of February of each year not more than \$100 for the use of said city, which shall be considered in full for and in lieu of all taxes and licenses which said city may possess the power to impose on said agent.

All other companies, 2 per cent. of gross premiums received in the State less return premiums and reinsurance in authorized companies. In collecting the 2 per cent. tax of casualty or fidelity insurance companies, no credit is given for reinsurance.

Agents pay five per cent. of premiums on "excess lines," and 2 per cent. of premiums on insurance in unauthorized companies.

Retaliatory provisions for other or greater charges by other States.

MONTANA.

Fees. — Filing charter and examination of papers on	
admission	\$300 00
Filing annual statement	25 00
Agent's license	5 00
Publishing auditor's certificate of authority.	9 00

A certificate of authority is issued to each company at the beginning of the year authorizing them to transact business during that year upon payment in advance of \$125, which is 2½ per cent. tax on \$5,000 in premiums; on premiums in excess of \$5,000 a tax of 2 per cent. is charged. Companies which write more than this are required to renew the certificate as they approach an excess of this amount. Fire and miscellaneous insurance companies are permitted to deduct return premiums on canceled policies in making their return of gross premiums upon which the tax is charged.

Publication.—Auditor's certificate of authority including condensed statement of company, only publication required. Publication attended to by auditor.

NEBRASKA.

Fees on admission.— Fire, life and miscellaneous companies		\$50 00
Fraternal beneficiary associations		20 00
Stipulated premium and assessment associations		25 00
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Annual fees.— Filing annual statement.		\$20 00
Certificate of authority, except fraternal (annual)		2 00
Agent's license (individual)		2 00
Two certificates of authority for publication.		2 00
Certificate of authority (fraternal beneficiary associations).		10 00
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Taxes.— Fire companies are taxed locally; the gross premium receipts being assessed as personal property.

All other companies, except assessment and fraternal beneficiary associations, 2 per cent. of gross premiums received in the State. No allowance is made for return premiums on cancelled policies.

Publication of abstracts of statements of all companies, except fire and fraternal, is required. Publication to be made once in two newspapers, one of which is published in the State Capitol; the companies make their own contracts.

NEW HAMPSHIRE.

Fees.— Filing copy of charter and by-laws.		\$25 00
Filing statement with application and each annual statement		15 00
Filing statement with application and each annual statement (fraternal associations).		5 00
Certificate of authority (renewed annually).		5 00
Agent's license (one to each member of a firm).		2 00
Service of legal process.		2 00
Certificate		1 00
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Taxes.— Fire, fidelity, casualty and assessment accident insurance companies, 2 per cent. of gross premiums received in the State less return premiums and reinsurance in authorized companies, if effected by licensed resident agents.

Life companies 2 per cent. upon gross premiums received upon business within the State during the year less payments to residents of the State on account of death losses paid within the year. *Provided, however,* that the tax assessed upon any such life company shall not be less than an amount equal to $1\frac{1}{2}$ per cent. of the gross premiums received by it upon business done within the State during the year.

Retaliatory provisions for other or greater charges by other States.

NEVADA.

Fees.— Filing power of attorney.....	\$5 00
License, casualty and surety companies.....	20 00
License, all other companies.....	100 00

Fraternal associations pay no fees.

Publication.— Copy of annual statement must be published by the company. Cost, \$20.

NEW JERSEY.

Fees.— Filing copy of charter.....	\$20 00
Filing statement on admission.....	20 00
Filing annual statement.....	20 00
Agent's license (one to a firm).....	2 00

Renewal certificate of authority to insurance companies required. No fee is charged for such renewal certificate except under retaliatory provisions of the law.

Other fees governed by retaliatory provisions.

Fraternal Beneficiary Associations.

Fees.— Filing copy of charter.....	\$10 00
Filing annual statement	5 00
License (required on admission only).....	5 00

Taxes.— Life companies are not taxed unless in retaliation.

All other companies, 2 per cent. of gross premiums received in the State less return premiums and reinsurance premiums paid.

Fraternal beneficiary and assessment life associations are not taxed.

Publication.— Retaliatory provisions govern.

NEW MEXICO.

Fees.— On admission	\$150 00
Filing annual statement	20 00
Certificate of authority (annual)	2 00
Agent's license after February 1, 1909 (each member of firm required to have license)	2 00

Copy of records, 20 cents per folio and \$1 for seal.

Taxes.— Two per cent. of gross premiums received or written in the Territory.

Fraternal Associations.

Fees.— Filing annual statement	\$5 00
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Taxes.— None.

Deposit.— Fire companies must deposit \$10,000 in cash or prescribed securities.

Retaliatory provisions for other or greater charges by other States or Territories.

NORTH CAROLINA.

Fees.— On admission	\$44 00
Filing and publishing annual statement	23 00
Annual fees, payable April 1	10 00
Certificate of authority, life companies	250 00
Certificate of authority, fire, marine and accident companies	200 00
Certificate of authority, all other companies or associations	100 00
Certificate of authority, fraternal orders	35 00
Special or district agent's license	3 00
Local or canvassing agent's license (individual)	1 00
Organizer's license for fraternal orders	3 00

FEES AND TAXES CHARGED

Taxes.— Two and one-half per cent. of gross premium direct business received in the State less return premiums

Fire insurance companies are taxed in addition to the one-fifth of 1 per cent. (semi-annually) of their gross receipts to defray expenses of investigation of incendiary fires and enforce building laws.

Return premiums deducted in making tax returns.

Abstract of statement published in one paper two times.

No license taxes or fees collected by counties, cities, or towns.

Tax of one-half of 1 per cent. on the receipts of fire companies in towns and cities, having fire departments, and at least fire equipment, and a firemen's relief fund.

Fraternal orders are not taxed.

Publication.— The law requires the Commissioner to make and publish an abstract of all financial statements. He collects a fee of \$9 for this purpose. This fee is included in the admission fee of \$44, and in the fee for filing annual statement. The general agents of the companies are permitted to send their statements to newspapers if they do so within thirty days after filing their statement.

The annual license fee for companies entering the State over \$25.00, is prorated for the unexpired portion of the year.

NORTH DAKOTA.

Fees.— Filing articles of incorporation.....
Filing annual statement
Certificate of authority
For each copy of abstract for publication...
Agent's license (one for each member of a
firm or corporation).
Filing annual report of fraternal beneficiary
associations and issuing permit.....

Copy of records, twenty-five cents per folio and \$1 for stationery.
Retaliatory provisions for other or greater charges by other States.

Taxes.— Two and one-half per cent. of gross premiums received in the State, less return premiums on cancelled policies.

Publication of statement in each judicial district where company has agents or transacts business. Attended to by department.

OKLAHOMA.

Annual entrance fees: (article 19, Constitution)

Foreign life insurance companies.....	\$200 00
Foreign fire insurance companies.....	100 00
Foreign accident and health insurance companies, jointly	100 00
Foreign surety and bond companies.....	150 00
Foreign plate glass companies, not accident.....	25 00
Foreign live stock insurance companies.....	25 00
Foreign fraternal companies	5 00

Fee for filing annual statement:

Foreign life and miscellaneous, fraternal excepted (3229).	\$50 00
Foreign fire, reciprocal (3190); minimum (3194),	10 00

Agents' certificates of authority:

Foreign companies (article 19, section 2, Constitution)	\$3 00
Domestic companies (section 3194, Oklahoma statutes)	50

Taxes.— On gross premiums, cancellations and reinsurances in authorized companies deducted: Two per cent. per annum (article 19, section 2, Constitution). Life insurance companies deduct dividends paid to policyholders in making tax return.

Copies of papers.— Per folio.....	\$0 20
Affixing seal	1 00

OHIO.

Fees.— Filing copy of charter or articles of incorporation

incorporation	\$25 00
Filing annual statement	20 00

Certificate of authority, co-operative or assessment associations	\$1 00
Certificate of authority, all other companies.	2 00
Agent's license, co-operative or assessment associations (partnerships licensed same as individuals, but corporations and each officer or agent soliciting insurance must have separate license)	1 00
Agent's license, all other companies (partnerships and corporations licensed same as above)	2 00
Certificate of compliance, for publication (one for each county in which there is an agent)	1 00
Copy of papers, twenty cents per folio.	
Certifying and affixing seal.	1 00

Co-operative or assessment associations may pay \$25 for licenses for all agents for the year without further charge.

Fraternal Beneficiary Associations.

Fees.— Filing annual statement and all other papers and issuing license	\$25 00
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Taxes.— Two and one-half per cent. of gross premiums received in the State, less return premiums paid and reinsurance premiums *received*. Fire companies pay, in addition, one-half of 1 per cent. of gross *fire* premiums received in the State, less return premiums paid and reinsurance premiums *received*, for the maintenance of the office of State fire marshal.

Co-operative or assessment and fraternal beneficiary associations are not taxed.

Retaliatory provisions for other or greater charges by other States.

Publication.— Certificate of compliance which contains abstract of statement must be published by the company in each county of the State where the company has appointed agents, in a newspaper of general circulation approved by the department.

OREGON.

Fees. — Filing title (fire companies only).....	\$5 00
Filing power of attorney (all companies)....	5 00
Filing annual statement	5 00
Annual license, fire companies.....	150 00
Annual license, life, accident, casualty and surety companies	100 00
Certificate of deposit, fire, marine and surety companies	10 00
Certificate of authority, fire, life, casualty, surety and accident companies.....	5 00
Agent's certificate of authority, fire com- panies (good until revoked).....	1 00
Agent's license, life companies (annual)....	5 00

Custody of deposit, fire, marine and surety companies, one-eighth of 1 per cent.

Taxes.— Two per cent. of gross premiums received in the State, less return premiums, losses paid and reinsurance premiums paid to authorized companies.

PENNSYLVANIA.

Fees. — Filing copy of charter.....	\$25 00
Filing annual statement	20 00
Certificate of authority, renewed annually...	2 00
Agent's license (one to each member of a firm)	2 00

Assessment Life, Sick Benefit and Accident Associations.

Fees. — Filing annual statement	\$20 00
Certificate of authority	25 00
Agent's license	2 00

Retaliatory provisions for other or greater charges by other States.

Taxes.— Two per cent. of gross premiums received in the State less return premiums and reinsurance in authorized companies.

Assessment life, sick benefit and accident associations are not taxed.

RHODE ISLAND.

Fees.— Filing copy of charter or deed of settlement.	\$30 00
Filing preliminary statement.....	20 00
Filing annual statement	20 00
Agent's license (one to a firm).....	2 00
Broker's license	10 00
Preparing abstract of annual statement (fire and accident companies only).....	1 00

The original certificate of authority to a company is good until revoked; an annual fee, therefore, for renewal, is not required.

Taxes.— Two per cent. of gross premiums received in the State less return premiums and reinsurance in authorized companies, unless there is a contract with the reinsuring company.

Retaliatory provisions for other or greater charges by other States.

Publication.— Life companies are required to publish abstract of annual statement once a week for three successive weeks in March, in some newspaper published in the county in which the general agency is located.

Agents of fire companies and general agents of life and accident companies are required to file bonds with the general treasurer, in such sums as he may designate. A bond of \$200 is required of agents of fire and accident companies, and from \$500 to \$1,000 of agents of life companies.

SOUTH CAROLINA.

Fees.— Annual admittance fees for foreign companies to do business in South Carolina are:

Level premium life	\$150 00
Assessment life	125 00
Fire, accident, casualty, etc.....	140 00
Fraternal	25 00

An "additional license fee," payable semi-annually, June 30th and December 31st on gross premiums, less dividends and return

premiums, of 2 per cent., is payable to the Insurance Department. This "additional license fee" may be reduced to 1 per cent. if the company invest in State, county or municipal bonds or first mortgage bonds of domestic corporations whose property is situate entirely within the State, or mortgages on real estate within the State, as much as three-fourths of its reserve on policies in force in South Carolina. No other State and county taxes are assessable.

Fire companies pay in addition a fire inspection tax of one-tenth of 1 per cent. of gross premiums received in the State, payable semi-annually to the Insurance Commissioner.

SOUTH DAKOTA.

Fees.— Filing articles of incorporation or charter...	\$25 00
Filing annual statement	25 00
Agent's license	2 00
Copy for publication	2 00
Companies' license, annual	2 00

Copies of records, twenty cents per folio and \$1 for seal.

Taxes.— Two and one-half per cent. of gross premiums received in the State, less return premiums on cancelled policies and reinsurance in authorized companies. Also fire marshal tax. of one-half of 1 per cent. on gross premium receipts. Assessment companies, 2 per cent. of gross premiums received. Not required of fraternal organizations.

Publication.— Annual statement must be published in each judicial district in which there is an agent. Attended to by department.

Retaliatory provisions for other or greater charges by other States.

TENNESSEE.

Fees on Admission.

Collected by the Insurance Department:

Fraternal orders	\$10 00
All other companies	30 00

FEEs AND TAXES CHARGED

Collected by the Secretary of State:

Filing copy of charter of all companies and fraternal orders

Tax for filing copy of charter of all stock companies graded as follows:

Companies of \$50,000 and less

Companies of over \$50,000 and less than \$100,000.

Companies of \$100,000 and less than \$200,000

Companies of \$200,000 and less than \$300,000

Companies of \$300,000 and less than \$400,000

Companies of \$400,000 and less than \$500,000

Companies of \$500,000 and less than \$750,000

Companies of \$750,000 and less than \$1,000,000

Companies of \$1,000,000 and less than \$2,000,000.

Companies of \$2,000,000 and less than \$5,000,000.

Companies of \$5,000,000 authorized capital stock and pay \$1,500; provided that any company chartered under of another State desires to locate its principal office and its business in and from Tennessee and have all or its majority holdings in Tennessee, it shall then pay a tax of one-tenth of 1 per centum on the authorized capital just as domestic corporations are now required to do; and also, that insurance companies shall be credited by the amount of fees paid to the Insurance Commissioner upon entering to do business.

Annual Fees.

Filing annual statement, life companies

Filing annual statement, fraternal orders

Filing annual statement, all other companies

Agent's license (one to each member of a firm)

Valuing life policies, two cents for each \$1,000 of insurance force.

Taxes.

Two and one-half per cent. of gross premiums received State, less return premiums and cash dividends, payable annually.

Each agent must pay the following occupation tax:

Beginning business in first quarter of the year...	\$10 00
In second quarter	7 50
In third quarter	5 00
In fourth quarter	2 50

Fraternal orders pay no taxes and are not permitted to employ agents.

Copy of records, twenty cents per folio and \$1 for seal.

No publication required.

TEXAS.

Fees.— On admission	\$46 00
Filing annual statement.	20 00
Certificate of compliance for publication.	1 00
General agent's State license.	50 00

Fraternal Beneficiary Associations.

Fees.— Certificate of authority	\$10 00
Solicitor's or deputy's license.	1 00
Franchise tax (foreign associations).	25 00
Franchise tax (domestic associations).	10 00

Taxes.— Two per cent. of gross premium receipts of fire, marine, casualty, credit guarantee and miscellaneous companies.

Three per cent. of gross premium receipts from life insurance companies, provided, however, that if 30 per cent. of the reserve apportioned on account of policies of insurance written upon lives of citizens of Texas is invested in promissory notes or other obligations secured by mortgage, deed of trust or other lien on Texas real estate, the tax shall be 2.6 per cent; and when 60 per cent. of its total Texas reserve has been so invested, the tax shall be 2.3 per cent., and when 75 per cent. of its total Texas reserve has been so invested the tax shall be reduced to 2 per cent.

Publication.— Certificate of compliance must be published by company for three successive weeks in two newspapers.

UTAH.

Fees.— Filing certified copy of articles and by-laws.	\$50 00
Filing acceptance of the provisions of the Constitution	3 00
Filing annual statement	50 00
Filing list of authorized attorneys	1 00
Preparing abstract of annual statement for publication	5 00
Certificate of authority, renewable annually.	5 00
Agent's license (one to a firm)	2 00

Taxes.—All insurance companies engaged in the transaction of business of insurance in this State shall annually, on or before the first day of March in each year, pay to the Commissioner of Insurance $1\frac{1}{2}$ per cent. of the gross amount of premiums received less the amount of all premiums returned, within this State, during the year ending the previous 31st day of December; provided, that if any insurance company shall have paid a property tax during said year, it shall be entitled to deduct from the tax therein provided the amount of such property tax paid for general State purposes.

Publication.— Abstracts of statements must be published four times before the first day of May in each year. Companies may select the papers in which publication is made.

VERMONT.

Fees.— Filing copy of charter	\$30 00
Filing annual statement	20 00
Certificate of authority (renewed annually) . .	5 00
Agent's license (one to each member of a firm)	2 00

Fraternal Beneficiary Associations.

Fees.— Permit to do business	\$5 00
Filing charter	5 00
Filing annual statement	5 00
Filing any additional papers required by law.	25

Retaliatory provisions for other or greater charges by other States.

Taxes.—Two per cent. of premiums and assessments received in the State, less return premiums, cash dividends paid to policyholders in the State and reinsurance in authorized companies on risks for which the full premium has been collected by the company making the return.

A franchise tax of \$10 for the first \$50,000 of capital or deposit, and \$5 for each additional \$50,000, or part thereof, the whole not to exceed \$50, is collected from stock companies.

VIRGINIA.

Fees on admission.—Stock companies with less than	
\$1,000,000 capital, 20 cents per \$1,000;	
minimum charge	\$10 00
Stock companies with \$1,000,000 capital or	
more	600 00
Mutual companies	25 00
Filing charter, per folio	50
Recording power of attorney	1 00
Seal	1 00
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Annual fees.—Specific license tax, live stock com-	
panies	\$100 00
Specific license tax, all other companies	200 00
Additional license to foreign and domestic	
companies	5 00
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For a license granted for less than a year the specific tax thereon shall bear such proportion to the whole specific annual tax as the space of time between granting the same and the 31st of December bears to the whole year.

Agents' registration fee for each company represented.	\$1 00
Annual registration fees.—Mutual companies and	
stock companies with capital of \$15,000	
or less	5 00
Stock companies with capital of \$15,000 to	
\$50,000	10 00
Stock companies with capital of \$50,000 to	
\$100,000	15 00

FEES AND TAXES CHARGED

Stock companies with capital of \$100,000 to \$300,000	
Stock companies with capital of more than \$300,000	
For copies of records, per page	
Tax on seal	

All licenses expire on the 31st day of December, exceptate of registration which expires July 15.

Taxes.— Life, health and sick benefit companies, 1 of gross premiums or assessments received in the State, tions taken therefor, during the previous year.

All other companies $1\frac{1}{4}$ per cent. of such receipts or ob

One-tenth of one per cent. of gross premiums or as received in the State or obligations taken therefor during year for maintaining of Bureau of Insurance.

Deposit.— Stock companies, except those doing marine only, are required to deposit securities to the amount cent. of capital; but such deposit shall not be less than and need not be more than \$50,000. The amount of d quired of mutual companies is fixed by the State Co Commission, and shall pay to the State Treasurer an an of one-twentieth of 1 per cent. of the deposit.

Publication not required. Retaliatory provisions pre

WASHINGTON.

Fees.— Filing all papers on admission and issuing certificate of authority	
Annual renewal of certificate of authority	
Filing annual statement of general condition.	
Filing annual statement of Washington business	
Filing supplementary papers, each	
Agent's license, fire and marine companies	
Agent's license, all other companies (each member of firm).	
Marine broker's license for unauthorized companies	

Certified copy of papers on file, twenty cents per folio and \$1 for seal.

Taxes.— Two per cent. of net premiums on life insurance and $2\frac{1}{4}$ per cent. on all other kinds of insurance, less return premiums.

Fraternal Beneficiary Associations.

Fees.— Certificate of authority	\$5 00
Filing annual statement	5 00

Publication.— Every insurance company, corporation or association doing business in the State of Washington shall cause to be published once each year, during the month of March or of April, in two daily papers of the largest general circulation, to be designated by the Insurance Commissioner, one in western Washington and one in eastern Washington, a full synopsis of its annual statement as prepared by the Insurance Commissioner.

WEST VIRGINIA.

Fees.— Annual license fee	\$10 00
Filing annual report	10 00
Annual fee to State Auditor for acting as attorney to accept service of process.....	10 00
Certificate of valuation	5 00
Certificate of authority to each agent and copy of report (individual)	5 00
For filing each additional paper required by law	25

Taxes.— Two per cent. of gross premiums received on business written or received in the State less premiums returned for canceled policies.

Publication of annual statement not required.

WISCONSIN.

Fees.— Filing annual statement, all companies and associations	\$25 00
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Licenses.—Life, assessment life and stipulated premium companies	\$300 00
Assessment, accident and fraternal associations	25 00
Agents' licenses.— Fire and marine companies, one to each member of a firm	1 00
All other companies, one to each member of a firm	1 00

Taxes.— Fire and marine companies 2 per cent. of gross premiums received in the State, on direct business, less return premiums and cancelations on direct business.

Fire companies pay in addition to above three-eighths of 1 per cent. of gross premiums to defray expenses of fire marshal. Also a tax of 2 per cent. of all premiums received in cities or towns having fire departments fulfilling standard conditions. Tax must be paid on February 1st, for the preceding year ending January 1st. Casualty and surety companies 2 per cent. of gross premiums received in the State, without deduction.

Retaliatory provisions for other or greater charges by other States.

Memorandum.

The Insurance Commissioner of Wisconsin advises that in collecting the 1 per cent. tax on premiums, charged New York life insurance companies, he will allow a deduction therefrom of the license fee of \$300 which may have been collected by him from such companies with the express agreement that the New York Insurance Department shall not collect said "license fee" from Wisconsin life insurance companies doing business in New York State.

WYOMING.

Fees.— Filing statement and charter with application	\$50 00
Filing annual statement	25 00
Acceptance of State Constitution	2 50
Agent's license	1 00

Copy of records, fifteen cents per folio and fifty cents for seal.

Taxes.— Two and one-half per cent. of gross premiums collected in the State. No allowance for return premiums.

Fraternal Beneficiary Associations.

Fees.— Filing statement and charter with application.	\$15 00
Filing annual statement	10 00
Acceptance of State Constitution.....	2 50

No taxes or agents' licenses.

Publication of abstracts of annual statements once in two papers, one paper of which must be published at the Capital. Companies select the papers.

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